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**THE EFFECT OF MERGERS AND ACQUISITION
IN THE GROWTH OF A FIRM**

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Not: Öğrencinin Tez savunmasında **Başarılı** olması halinde bu form **imzalanacaktır**. Aksi halde geçersizdir.

I hereby dedicate this study to God for the successful completion of the thesis
work. I give you O' Lord all the glory.
I also dedicate this work to my adorable parents, siblings and friends for their
supports and prayers.



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ABBREVIATIONS

CA	:	Current Assets
CL	:	Current Liability
FDI	:	Foreign Direct Investment
GDP	:	Gross Domestic Product
GPM	:	Gross Profit Margin
HDI	:	Human Development Index
JV	:	Joint Venture
M&A	:	Merger and Acquisition
NP	:	Net Profit
NPM	:	Net Profit Margin
NYSE	:	New York Stock Exchange
OLI	:	Ownership Location and Internalization
OR	:	Oligopolistic Reaction
PPP	:	Purchasing Power Parity
PTA	:	Preferential Trade Agreement
ROA	:	Return on Assets
ROE	:	Return on Equity
TA	:	Total Assets
TC	:	Transnational Corporation
UK	:	United Kingdom
USA	:	United State of America
WTO	:	World Trade Organization

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THE EFFECT OF MERGERS AND ACQUISITION IN THE GROWTH OF A FIRM

ABSTRACT

Over the last decades, mergers and acquisitions has played a crucial role in assisting industries to achieve their goals as well as increasing their financial performance, through the provision of platform to gain access other market outside their main locations, diversify their investment or gain management expertise.

The thesis establishes three main kinds of motives managers makes before taking decision on Merger and Acquisition. One of the motives in this dissertation is that deals with the instability of investors' worth or has unclear encroachment on investors' worth. The expansion intention has unverifiable impact on the investors' worth. This dissertation also examines the outcomes of participating in merger and acquisition (M&A) and these are explored more, using the approaches in the literature review. One of such outcome is that M&A multiplies shareholders worth for the targeted firm, and on the other hand reduces the shareholders worth for the purchasing firm or the newly joined firm. This study also comprises of quantitative research methodology; it is a gauge paper to ascertain the difference in the financial records of both the targeted firm and purchasing firm.

The hypothesis seeks to establish if company's profitability or performance improves as a result of engagement in mergers and acquisition. To establish this assumption the researcher tries to analyze some company's performance after their mergers and acquisition exercise by comparing their financial result before and after M&A exercise.

For the more clear understanding of this study, the effects on the M&A performance of the acquiring company will be compared with companies that didn't engage in M&A. Nevertheless, two cases was chosen in this study and analyzed for a more clear understanding; the M&A activity between Hewlett Packard and Compaq, and the M&A activity between a supermarket called Migros Turk A.S. supermarket and Tansaş A.S supermarket. The findings entails that both companies are on a health performance before the merger and acquisition activity but experience a slight loss is wards before rising.

Keywords: Mergers, Acquisition, Retail market, Profitability, Performance, Investment, Investors

BİRLEŞME VE SATINALIMLARIN BİR FİRMANIN BÜYÜMESİNE ETKİSİ

ÖZET

Son yıllarda, şirket birleşmeleri ve devirler, önemli bir rol oynamıştır, endüstrileri için hedefleri yanı sıra artan finansal performans, hükmü, platform ulaşmak diğer pazar dışında ana konular, çeşitlendirme ve yatırım veya kazanım yönetim uzmanlığı.

Tez söndürür başlıca üç tür güdülerini yöneticileri kolaylaştırır önce kararı birleşme ve satın alma. Biri bu amerikalı üniversiteli, anlaşmalar, kararsızlık, yatırımcılar değer veya belirsiz saldırmalarını on yatırımcılar görülmeye değer. Genişletme niyetindeyim, doğrulanamayan darbe yatırımcılar görülmeye değer. Bu Amerikalı Üniversiteli de incelemek, sonuçlarını katılımcı, birleşme ve satın alma (M ve A) ve bu, daha çocuklukta, yaklaşımları, literatür gözden geçirme. Bir tür sonuç, M ve A katlar pay değer, hedeflenen firma, ve diğer el azaltır, görülmeye değer özsermaye satın alma şirketi veya yeni üye firması. Bu çalışma da oluşur. nicel araştırma metodolojisi; bu bir göstergesi kağıt olmadıklarını fark mali kayıtlar, hem hedeflenen firma ve satın alma şirketi.

Bu varsayım istiyor eğer şirketin karlılık veya performansı, sonuç olarak, geçiş, şirket evlilikleri ve ithamı. Kurmak için bu varsayım, araştırmacı için çalıştığında bazı analiz şirket'in performansı sonrası, şirket evlilikleri ve satın alma egzersiz karşılaştırarak bunların mali sonuç önce ve sonra M ve A egzersiz.

Daha net anlaşılması bu çalışma, etkileri, M&A performans, acquiring şirket karşılaştırması şirket etmedi yerine M&A. Bununla birlikte, her iki durumda da seçilen bu çalışma ve analiz daha net anlaşılmasını; M&A bir etkinlik arasında Hewlett Packard ve Compaq, ve M&A bir etkinlik arasında Migros süpermarket ve Tansaş A.Ş. Bulgular yüklenebilmesi, hem şirketler bir sağlık performans öncesi, birleşme ve satın alma aktivitesi ancak deneyim hafif bir kaybı koşullar önce yükselen.

Anahtar Kelimeler: birleşme ve satınalmalar, Türk ekonomisi, Perakende piyasalarda birleşmeler, karlılık

1. INTRODUCTION

In the organizational world today, merger and acquisition as a topic are of a great debate. Some argued that mergers increases efficiency and growth while on the other hand, opponents argued that it decreases consumer welfare by placing the market in a monopolistic state. This paper focuses on the efficiency and growth aspect of merger and acquisition to determine if merger and acquisition affects the increase in efficiency and growth of a firm. There are different types of organization and management, those that wish to work in segregation and face all difficulties and intended solving them single handedly and those that wish the assistance of others rather than falling in their cooperate objectives in most cases. It is the wish of every firm and its management to plan, execute and control business activities alone, share the profit and bear the loses, when faced with business factors they could not control such firms may still wish to attempt solving them single handedly irrespective of the future consequences on the form and its management staff and economy as a whole.

In existence today, the world economies are groups of business organizations and managers who are aware that one firm cannot work in complete insulation on the competitive forces prevailing on the business organization; the alternative solution would be going into some optional survival and growth strategies.

Mergers and acquisitions (M & A) is a type of company's enlargement and development. As well known, merger and acquisition might not be the only factor affecting the development of a firm positively but it's an alternative and a great strategy to development by inward or even capital ventures.

The first decade of the new thousand years was a time of worldwide mergers. A few components like promptly accessible credit, low premium rates, innovative change and worldwide rivalry filled mergers and acquisition action and in 2007, transactions arrived at another record dollar volume around the world (DePamphilis, 2011).

Mergers and acquisitions as well can be a clear way of eliminating unqualified staffs of company and locating where resources are needed most in order for resources to

be transferred. However, there is considerable evidence which shows that some of the M and A's activities didn't succeed. Estimated failure rates are typically between 60 and 80 percent. (Homburg and Bucerius, 2006).

Deregulation in globalization has reduced trade hindrances and has introduced a competitive atmosphere all over the world, which now makes companies to compete not only with local companies now but with foreign companies as well. Only the best companies will be able to survive in the long term. This situation will be definitely be of great advantage to companies, who successfully seize the opportunities of advancing by achieving market opportunities in foreign countries and achieving economies of scale and scope. To merge or acquire with another company is one of the ways of surviving and entering new market and by this gains full control of that company and its resource. Setting up a joint venture (JV) with a partner company and sharing the risks and control is another option.

Lots of studies have researched the implications of the former strategy; however the majority concerns North American data. The latter strategy has not received much attention in contemporary research. In the state of financial crisis, many companies' turns towards joint ventures because of the low risk and low capital compared to merger and acquisition (Yuk 2012).

The major motive of this study is as follows;

1. To identify the reasons and consequences of engaging in M and A i.e. to review the motives resulting to these practice; and
2. Why firms agree to and chooses to engage in M and A.

There are some factors that affect the resolution of the administrator in engaging in M&A; and these factors are the synergy, agency problem, free cash flow, increasing market power, etc. Whereas, the basis reflects on; increase or decrease on the shareholders' worth or having undetermined effect on shareholder's worth.

- To ascertain the effects these rationale has on companies.

In order to understand this point, an investigation was made on two cases that took place in different province at the early 21st century, for a clear outcome of firm's performance financial.

Does a change in economies of scope and scale affect the development of companies?

With these questions, the research hypothesis of this dissertation is as follows;

H₁: merger and acquisition have a positive effect on the profitability of a company.

H₀: merger and acquisition does not have a positive effect on the profitability of a company.

With expanding rivalry on today's worldwide markets, numerous organizations decide to consolidation with each other to have the capacity to make due in the worldwide business. Merger & obtaining happens on all business and in different sorts of commercial ventures. Verifiably we can see that in merger movement paying little mind to the business, one of the focuses of the stockholders is to be able to withstand the global markets and its threats. However, some other industries choose to merger to be able to compete internationally. In such industries, the shareholders target abnormal returns, but this dissertation focused more on the question 'does merger and acquisition affect the performance of company?'

The methodology used in this study is quantitative approach- financial analysis. The pertinent statistics is been obtained from firms' financial yearly reports, journals, official websites and also publications. In specific tune, financial analysis is normally used to ascertain the reform or modification on a company's fiscal accomplishment before and after M&A activity and as well as to understand the effect (positive or negative) of M&A on the outcome of the company's result. In this area, the computing of the key ratios and any other factors that affects the firms' financial reports will be made, and also explore and compare between firms that participate in M&A and those that did not in the same field during a specific time. This is one of the many truthful ways to survey the outcome of merger and acquisition has on a firm because the financial report will be analyzed years before the merger and years after merger. The long-term analysis was chose in the dissertation in order to get the true fact after the company most have stabilized on the strategy.

The study is constructed as follows: the introduction part highlights the general view of thesis on mergers and acquisition and also the purpose of the thesis. The second part describes the theoretical overview of merger and acquisition after discuss the six merger waves so as to enable the reader to have a clear understanding of this treatise. Part three covers the literature review, what's more offers an agreeable view on the hypothetical writing on the meaning of M&A, also encapsulate the basis of taking part in M&A and the experimental writing on how it influences M&A.

In part four, a case study was analyzed so as to study the rationale of participating in M&A and differentiate among the acquiring company and its entrant in the same operating field in the area of finance. In this chapter, the annual performance of the companies Hewlett Packard and Compaq was analyzed years before consolidation and years after consolidation and also looks at the quantitative research methodology-an accounting study. While the last chapter deals with the M&A in developed economy and in emerging market, specific example of turkey, its commercial law on M&A and the effect M&A has on Turkish companies. Another M&A activity that happened in turkey was also analyzed in this chapter in order for an easy understanding of this dissertation.



2. THEORY OF MERGERS AND ACQUISITION

Mergers and acquisitions (M&A) have always been a critical component in meeting the strategic goals set by different companies globally. The fundamental aim for such M&A is to obtain business and corporate strategic advantages that tend to vary from company to company. Studies have identified authentic evidence outlining the potential motivators for M&A. For instance, Andrade et al (2001) provided the following summary:

“productivity related reasons that frequently include economies of scale or different collaborations; endeavors to make business sector power, maybe by framing restraining infrastructures or oligopolies; business discipline, as on account of the evacuation of awkward target administration; serving toward oneself endeavors by acquirer administration to over-stretch and other org costs; and to exploit opportunities for expansion, as by misusing interior capital markets and overseeing danger for undiversified directors" (Andrade et al, 2001, p.103)

Then again, the claim and recurrence of M & A drive researchers not just to research the thought processes behind M & A, furthermore to literally understand whether these expectations grow or reduces investors' worth.

Since 1890s, when commercial ventures and firms respond to stuns in their work surrounding, that is when M&A emerges and it is in waves. Stuns could emulate in an occasions as free trade; the development of new innovations, dispersion methods, or commute items; or a maintained climb in merchandise costs (Dephampillis, 2013). So far, six finished waves have been inspected in the scholastic writing. The first wave that began towards the end of the nineteenth century in the USA was portrayed with colossal mechanical progressions, financial development and advancement in modern procedures. A critical quality of this wave

was the concurrent solidification of makers inside businesses, hence qualifying the portrayal "flat combining". The wave ended between 1903 to 1904 due to the stock exchange breakdown as at that time (Sudarsanam, 2010).

A large portion of the M&A's that occurred amid the second wave in the 1920s included little U.S. organizations that were left outside the imposing business models made amid the past wave. Those organizations combined with or gained each other to addition economies of scale and to have the capacity to rival the overwhelming player in their industry. The 1929 emergency and the wretchedness that emulated put an end to this second wave of M&A's. Due to World War II, M&A action stayed low until the 1950s. In the accompanying four years, because of the worldwide financial sadness, numerous partnerships structured amid given way for second wave (Sudarsanam, 2010).

The 1950s, 1960s, and early 1970s saw a third wave of M&A's, amid which organizations attempted to enhance their income streams and, by engaging in this, diminish their apparent danger. This pattern prompted the production of combinations and holding organizations made out of numerous random organizations. General Electric Company is a run of the mill case of this pattern. Notwithstanding, today's capital markets no more place a premium on exceptionally broadened organizations. Actually, the offer costs of most profoundly differentiated organizations are liable to a combination rebate in light of the fact that value markets batTL to see the profits of these complex enterprises. Fundamentally, value advertises now lean toward "unadulterated plays"— i.e. organizations that work in a solitary industry—to exceedingly expanded organizations, in extensive part on the grounds that understanding and esteeming immaculate plays is simpler than aggregates. This third wave of M&A's crested in 1968 and crumpled with the oil emergency in 1973; (Kenneth and Barbara, 2013).

The late 1970s and early 1980s were portrayed by generally high swelling rates and, subsequently, high obtaining expenses. To stay beneficial, numerous organizations looked for approaches to lessen both working and financing expenses. Arriving at a discriminating size was regularly seen as the best approach to survive the business "shake-outs" that inexorably describe such monetary periods, offering climb to the fourth wave of M&A's. Numerous organizations united with or procure each other to exploit the economies of scale connected with bigger volume makers. In addition, a few organizations saw M&A as a way to diminish their risk and bring down their

financing expenses, which arrived at as high as 25 to 30 percent in a few occasions in the late 1970s and early 1980s.

The 1980s were additionally checked by deregulation and the creation and improvement of new instruments and markets. One such sample is the "garbage" security business, or the business sector for securities issued by organizations with poor credit quality. The accessibility of credit to fund very hazardous organizations and exchanges sustained an increment in leveraged buyouts and leveraged recapitalizations. Some organizations that had purchased disconnected organizations amid the past wave exploited the blasting M&A business to offer their inadequately performing divisions and refocus on their center business. Money markets accident of 1987 and the breakdown of a few exceptionally leveraged organizations put an end to this fourth wave of M&A.

The 1990s saw new supports for acquisitions development, preparing for a fifth wave of M&A's. A few organizations made acquisitions to get access to information based resources, especially in the late 1990s, when the "first mover" advantage got to be exceedingly prized. The 1990s additionally saw an increment in the number and volume of cross-fringe acquisitions. With the advancement of the worldwide economy, numerous organizations saw M&A's as the fastest and slightest extravagant method for securing space in a foreign country and saving their spot in the worldwide economy. This last pattern was to a great extent determined by the arrangement of multination exchange zone.

M&A action soon recuperated, with a sixth wave beginning in 2003. This wave saw the continuation of the two patterns started in the 1990s: cross-fringe acquisitions and industry combinations. Anyway it was likewise reminiscent of the 1980s, in that leveraged exchanges made a rebound. The low-engage environment coupled with the apparently interminable credit accessibility sustained an increment in leverage buyout (LBO's), numerously supported by private value firms. Financial specialists went looking for broadening advantages and higher yields. As they put cash into new resource classes, for example, private value, a lot of stores got to be accessible to take organizations private and buy divisions available to be purchased. This sixth wave of M&A's reached a sudden end taking after the subprime obligation emergency of 2007, according to Kenneth and Barbara (2013). The theoretical explanation for mergers and acquisition stands on foreign direct investment at the same time. Due to globalization, the latest mergers and acquisitions occur in internationally.

The growth of foreign direct investment (FDI), greatly increase the presence of most multinational corporations from US and Europe to most developing countries, which varies in terms of the economic potentials of destination country, though understanding the political factors that enhance the FDI flow is somewhat very cumbersome and not very clear. However, in identifying the relations between trade and investment, we need to how international trade agreement (GATT/WTO) and preferential trade agreement (PT.A.S) affect the FDI flow, which usually provide a platform for making commitments to foreign investors about the treatment of their assets, thereby increasing investment and also reinforce investors' confidence. These forms of international undertakings are more credible than domestic policy choices, because its more costly renege on them. A survey on some developing countries FDI from 1970 to 2000 which is a member of WTO and also actively engage in PTA get a higher FDI inflows than others not in that category. Thus, supporting the earlier argument that participating in international trade agreements allows developing countries to attract more FDI and increase their economic growth.

Over the years, scholarly study on FDI has identified two important motives for selecting a particular country as the site for a new facility. These include:

- 1) To gain improved access to that country's market. Locating a production plant in the domestic market will reduce the cost of transport or outwit barriers to trade.
- 2) It enables the firm's to deploy the relatively abundant factors located in the country. That is, they seek a low-cost production platform.

In the contribution of Frederic Knickerbocker, he proposed a third factor that influences location choice: which is firms may likely invest in a country to match a rival or competing firm's move. He argued that firms in industries characterized by oligopoly would tend to follow each other's location decisions.

One of the most outstanding factors that determine firm's internationalization is market imperfections (Hymer, 1970). Market imperfections are perceived as a structural nature which originates from the change from the ideal rivalry on the last item's business sector, as an aftereffect of a flat out and perpetual control of property right on innovation, access to assets, scale economies, circulation framework and product differentiation (Hymer). As a result of increase competitions there are decreases in profit which may lead some firms going insolvent, thereby countering this effect of competition by mergers and acquisitions? Investing firms

usually take conscious efforts to identify market opportunities brought by these flaws up in the gift with creation variables and in the generation of merchandise. The on the opportunities competitors is not providing in the current market. This convey us to the hypothesis of global creation which stipulate that the capacity of a firm to deliver abroad is reliant on certain fascination of the nation of starting point in connection to the event offered by the domestic market. Going further, the theory also identify some multiple factors' important in taking decision for externalization of production of a firm's and engage in foreign direct investment. Apart from the resources with production factors and their productivity which makes a firm to invest outside its borders, additionally considered the approaches of government that changes into a fascination component for investors.

2.1.Theoretical Explanation for Mergers and Acquisition

2.1.1.Oligopolistic Reaction to Foreign Direct Investment

According to Knickerbocker, oligopolistic reaction (OR) describes the choice of one firm to contribute abroad raises contending firms' motivations to put resources into the same nation. The analyses of industrial organizations shows that firms' actions are strategic complements when an increase in the action of one firm raises the marginal profitability of an increase in the action for another firm.

The OR theory was postulated by Knickerbocker (1973) based on market imperfections. As discussed in the previous section on FDI, the key important factors firms consider in choosing locations for setting up new plants are:

- (a) Firms look for expanded access to the host nation's business sector; and
- (b) Firms need to use the generally copious variables accessible in that nation.

However, a third motivation factor was cited by Knickerbocker that firms may put resources into a nation to match a competitors' action (Head et al, 2002). That implies, organizations frequently show imitative conduct, i.e., they take after the internationalization of contenders with the goal that they won't lose their vital favorable position. Specifically, Knickerbocker(1973) contended that in oligopolistic economic situations, firms in an industry have a tendency to take after location decision.

After extensively gathering data of over 200 companies and analyzing them, Knickerbocker posited that oligopolistic reaction increases with the level of fixation and diminished with assorted qualities of the item. In the work of Knickerbocker, oligopolistic response is exemplified by a hefty portion of the world's commercial ventures, for example, car, chemicals and gadgets among others, which are overwhelmed by a little number of big corporations. Inside of the oligopoly commercial enterprises, firms are couple of enough in number to perceive the effect of their activities on their opponents and the other way around (Gwynne, 1956). Notwithstanding, Knickerbocker's recommendation of oligopolistic response remains constant just when instability exists about expenses in the host nation; i.e., an adequately hazard unwilling oligopolistic firm will probably set up a unit in an outside nation once one or a greater amount of its opponents invest there (Head et al, 2002).

2.1.2. The Ownership, Location and Internalization Model

In discussing the “Ownership, Location and Internalization (OLI) model, John Dunning model had dominance. The theory of eclectic paradigm of dunning was anchor on three mix of different theories to explain foreign direct investment, which are term the O-L-I model. This do not only consider the structure of firm in making FDI decisions but also goes further to put into considerations the advantages generated by ownership (brand –if owned by the company, managerial capabilities), location (availability of raw materials, tax level and salary level), and the international environment (the advantages of licensing and joint ventures). The theory focuses on explaining the purpose and the motivational power of FDI and how resource allocation and the organizational structures of the firm are interconnected. Also it goes further to analyze the market advantages, from both the view of firms’ needs and also the perspective of the international environment. A cursory brief about the OLI model is explained below:

2.1.2.1 The “O” advantages:

The “O’ represent the Ownership advantage, which tries to explain the intangible assets of firm possess that can be transferred within transnational companies at low

costs, leading either to higher incomes or reduced costs. This implies that to successfully enter a foreign market, corporations' must possess certain characteristics that could win over operating costs on a foreign market. Its therefore means companies must examine and evaluate the competency derived from its property as an advantage in which the firm has a monopoly over which it can use overseas that will give higher marginal profitability or lower marginal cost than other competitors. There are three types of specific advantages arisen from ownership as stated below:

- a) Monopoly advantages in the form of privileged access to markets through ownership of natural limited resources, patents, trademarks;
- b) Technology, knowledge broadly defined so as to contain all forms of innovation activities
- c) Economies of large size such as economies of learning, economies of scale and scope, greater access to financial capital;

2.1.2.2 The "L" Advantage from Location:

Upon satisfying the first condition of ownership, then its' more imperative for the firm that owns these assets to utilize them for it own advantage rather than sell, lease or rent them to foreign firms. The bases of location theory are hinge on providing answers to some pertinent question as follows: *what? Where? And why economic activities are required to be located?* Thus location advantage focus on how proximity to raw materials, transport network, labor and market enhances FDI flow. Therefore, as the economic environment capacity for both local and international community open up to the global space, it becomes more obvious that large corporations are the coordinating units of the current economic relations, much more than national economies. Some of the basic advantages accruing from location in a particular market are divided into three categories as stated:

- a) The economic benefits consist of quantitative and qualitative factors of production, costs of transport, telecommunications, market size etc.
- b) Political advantages: common and specific government policies that affect FDI flows

- c) Social advantages: includes distance between the home and home countries, cultural diversity, attitude towards strangers etc.

2.1.2.3 “I” from Internalization:

In assumption that the first two conditions have been satisfied, then these` must translate into profitable for the company so as to use them for its' advantages, in collaboration with at least some factors outside the country of origin (Dunning, 1973, 1980, 1988). This third characteristic of the eclectic paradigm OLI offers a framework for assessing different ways in which the company will exploit its powers from the sale of goods and services to various agreements that might be signed between the companies. Thus, internalization advantage ensures a firm is more profitable to carry out transactions within the firm than to depend on external markets. The higher the cross-border market Internalization benefits is the more the firm will aspire to engage in foreign production rather than offering this right under license, franchise.

Therefore, from the above submission it is observed that the eclectic paradigm OLI shows that OLI parameters are different from company to company and depend on context and reflect the economic, political, social characteristics of the host country. Thus, the objectives and strategies of the firms, the extent and system of production will depend on the challenges and opportunities offered by different types of countries. Edith Penrose, who tackles an asset based perspective of the organization, shows a few clarifications to mergers and acquisitions. First off, acquisition can be an appealing arrangement when the required resources of production can be accessed to all the more efficiently by acquiring an organization that is as of now delivering propositions assets as opposed to setting up an own production plant. Particularly if the organization to be purchased utilizes its assets as a part of an ineffective way or is having a proprietor considering resigning as these two cases can bring about a low valuation of the organization (Penrose, 2011). The acquisition can be much more irresistible if the organization being purchased likewise is an extreme contender holding a huge piece of the overall industry in an oligopoly market sort (Keat & Young, 2009) as the opposition would turn out to be less serious (Penrose, 2011). But perhaps one of the most interesting benefits of company mergers according to Penrose's resource based view is the fact that company growth requires excessive management capacity. A traditional organic

growth is hence severely limited by this, whereas a merger already includes the management capacity necessary to handle the acquired resources (Penrose, 2011).

As the acquisition process in itself requires excessive management capacity, Penrose claims that mergers and acquisitions as a method of growth reaches a peak in effectiveness as the remaining companies that can be bought gets smaller. This because acquiring many small firms instead of one large firm requires more management capacity, and hence acquisitions will ultimately no longer be an effective growth method (Penrose, 2011).

Taking on a rival approach to Penrose's resource-based view, Coase has presented the transaction cost theory. Coase takes on the theory of resource allocation conducted through the price mechanism by introducing transaction costs; costs related to discovering what the relevant prices are and cost of negotiating and concluding contracts on a market (Coase, 1937). Hence it may be economically wiser to allocate resources internally rather than through the market, but there is a limit to the size of a firm.

As the firm grows larger, the costs of organizing additional transactions within the firm will rise, the entrepreneur might fail in using the allocated resources in the most effective way or the supply price of the allocated resources (managers) may rise faster for large firms than for small firms (Coase, 1937).

Hence growth through in-sourcing, for example through mergers or acquisitions, could be seen as a way to avoid transaction costs but only to a certain degree. What is interesting about the transaction cost theory is that some of these costs are related to the current technology, as for example the cost of discovering the relevant prices. Since Coase presented his paper in 1930's, information technology has taken great leaps forward as through the fax machine, the computer and Internet. As a result of this, it is today far easier to obtain a good view of what the relevant prices are and hence the transaction costs are lowered.

This would imply a structural change where companies tend to out-source more operations and hence one would expect the wave of mergers and acquisitions to decline. History shows us even today that that is not the case. Instead we see an increase or recurrent M&A waves due to low interests by central banks, technological breakthrough and "free" market policies. Williamson extends the work of Coase on transaction cost theory even further giving three critical dimensions describing the transaction costs; recurrence frequency, uncertainty and the degree

to which transaction specific investments are needed (Williamson, 1981). Out of these three, the degree to which transaction specific investments are needed is the most important parameter describing the transaction costs according to Williamson. He labels it as asset specificity and divides it into three categories; site, physical and human asset specificity.

Williamson gives a number of examples; proximity as site specificity, a die for stamping out metal shapes as physical asset specificity and learning by doing or firm-specific training as human asset specificity (Williamson, 2002). Coase's and Williamson's theory of transaction cost can be applied to a consultant company in numerous ways. One example is when large customers narrow down their selection of consultant suppliers to two or three preferred suppliers. As the number of suppliers is severely limited, the suppliers need to provide the customer with consultant services within a very broad scope of services. For small to medium-sized firms this implies that they cannot provide the full scope of services on their own, but needs to team-up with other firms working in adjacent fields of services in order to be competitive in the tender. These negotiations and contracts come at a cost, the transaction cost. These external factors contribute in an increase of M&A activity and the factors are translated into motives/reasons by the merging companies which later can be read in the press releases and the news given by media.

The nature of these transaction cost varies with the parties involved. If, for example one supplier is utterly dependent on the contract because the customer stands for the majority of its income, which implies having dedicated assets towards the customer, whereas the other supplier sees the customer as of marginal interest, the two suppliers are bilaterally dependent (Williamson, 2002). Meaning one supplier could easily take advantage of the supplier's situation by requesting a non-proportional part of the contract value.

The risk of bilaterally dependence can be somewhat addressed by credible contracting where safeguards are introduced, but these safeguards and this contract comes with a transaction cost. If this cost is high enough, it may be more feasible to take the transaction out of the market and to organize the necessary services internally; bearing in mind that such an operation on the other side renders a bureaucratic cost. Practically this means that one of the suppliers could merge or acquire the other and hence the transaction cost can be considered as a driver for these actions.

These activities are what Harford (2005) expounds further on saying that one driver behind M&A is the business sector pattern in business. Harford (2005) could confirm that the merger wave hypothesis exists which implies that mergers are performed in waves. The driver behind the waves is the pattern rather than essential financial key components. Harford (2005) figured out that the event of these waves depended on the accompanying certainties:

- 1) Merger waves after times of unusually high development of the stock. On the other hand if there is an expanding crevice between booked esteem and stock returns.
- 2) Businesses experiencing waves will experience bizarre poor returns taking after the wave's level.
- 3) Because there is no financial drive to the wave, monetary stuns won't in a deliberately way go before the wave.
- 4) The strategy for installation in a wave should be overwhelmingly that of stock, such that cash mergers should not to increment in repeat in the midst of waves.
- 5) Since the wave is reliably controlled by the acquiring of honest to goodness assets with misrepresented stock, fragmented firm (divisional) trades for cash should not be essential and they should be especially phenomenal by firms that are putting forth for distinctive firms with stock.

M&A are exceptionally basic around the world, particularly in the U.S where short wins and concentrate on quarterly monetary business report is vital. Penrose (2011) records a few positive explanations behind performing mergers to power execution. In the corporate world, more noteworthy is routinely better. One tends to think the same way with mergers and acquisitions. A couple of mergers are productive and some even amazingly compelling. Be that as it may, not all are that fruitful in all actuality. DiMaggio (2009) records and clarifies some significant mergers in USA that went well and some that turned out badly and why that happened. Detail shows that nearly a large portion of all mergers or less are effective, yet why not the rest? The methodology begins with definite examination and valuation of the procured associations and exclusive standards of expanded gainfulness, offer esteem, benefit, and wiping out possibly excess assignments (Bulent, 2005). Let's now take a closer look at some examples of M&A that failed and some that succeeded.

In the following part, the intentions which involve investors' quality are analyzed. Diverse thought processes have distinctive attributes and help various consequences for shareholders' quality. In this way, the thought processes might be basically classified into three sorts as takes after: intentions which build or lessening shareholders' quality or have indeterminate effect on shareholders' worth.

2.2. Definitions of Merger and Acquisition

The two words 'merger' and 'acquisition' means a corporation of two or more discrete firms to recreate or becoming one firm and its always used precisely in practice, but there is lightly difference in connotation between them (Wang, 2007).

The terms merger and acquisition are regularly utilized conversely. In any case, there are a few contrasts. A merger alludes to the blend of two or more associations into one bigger association. Such activities are usually intentional and regularly bring about another authoritative name. This sort of merger is cited as a 'merger of equal' and a good example of such is the M&A's activity between AOL and Time Warner in 2000. An acquisition, then again, is the buy of one association by an alternate.

Such activities can be threatening or agreeable furthermore the acquirer keeps up control over the obtained firm. Mergers and acquisitions vary from a combination, which is a business blend where two or more organizations join to structure a completely new organization. The greater part of the consolidating organizations is broken down and just the new element keeps on operating. The M&A activity between Manulife financial corporation and John Hancock financial services Inc. in 2004 is a good example of acquisition activity (Naba et al, 2014).

Meanwhile, acquisition takes place when a firm purchases another firm completely. In this case, there is no creation of a new firm because the acquiring firm is still in existence and the targeted firm will be terminated, and the stock of the acquiring firm will continue to be in the market. The acquiring firm takes full charge of the activities and transactions of the target firm both the assets, liabilities even the gain.

Farschtschian (2011) defines merger as a combination of assets by two previously separate firms into a new single legal entity. According to Jones (2009), merger and acquisition was defined as the corporate system, finance and administration that arrangements with purchasing, offering and joining together of organizations. It can back or help a developing organization in a given industry stretch quickly without the

need of making an alternate business element. The most important objective for engaging in merger and acquisition is that the estimation of organization A and organization B must be ascertain, which should be of more value than the estimation of organization A and B independently.

Fornalczyk (2012) sees merger and acquisition as offering an option to key cooperation keeping in mind the end goal to fortify business position. Mergers bring about higher centralization of advantages in the hands of single organization; the result of acquisitions is the creation and development of capital gatherings. Rivalry law treats a capital gathering as one financial element on the grounds that subsidiaries are composed by the prevailing organization inside the gathering. The level of agreement between the firms' governing body, senior supervisors and shareholders will figure out if the action is a merger or an obtaining.

Whereas there is a slight difference in the meaning of mergers and acquisition which will not be strictly acclaimed in this treatise and the two are been cited under the word 'merger and acquisition.

2.3 Types of Mergers and Acquisitions

From a business framework's viewpoint and the relationship among two associations M&A has four main types namely horizontal, vertical, conglomerate and cross border Guaghan (2005). Every one of them has a unique features and nature and they are discussed below.

2.3.1 Horizontal Mergers and Acquisitions

Horizontal mergers are by far the most common type of mergers and involve companies acquiring other companies that produce the same goods or services. The main aim of buying a competitor is to reduce uncertainty in the market place and to increase market power to increase profitability. Higher profits can be achieved either through increasing prices in a less competitive environment or by exploiting synergies which can lead to cost savings through economies of scale and scope. A horizontal merger might also be motivated by a desire to protect the dominance of an incumbent firm (Lipczynski, 2009) or a desire to acquire skills and

knowledge from competitors rather than developing these themselves (Martynova 2006). Horizontal mergers receive much attention by regulators as they will reduce competition and potentially lead to adverse effects for consumers, if the company abuses its market power. Therefore firms often publicly state that the acquisitions are made to utilize synergy effects rather than increasing their market power (Lipczynski 2009). In addition, young or premature companies mostly involve in horizontal merger especially when there is no prevailing leader in the same area of business.

2.3.2 Vertical Merger and Acquisitions

Vertical M&A involves firms operating at different stages of the same production process. This type of merger is often undertaken to reduce or eliminate double marginalization, which significantly decrease the output of a company. It can eventually lead to cost saving and increases input. Thereby it will increase a company's market power. Other motives for companies to integrate vertically include the possibility to secure supply of scarce resources, eliminate externalities and moral hazard (Lipczynski, 2009).

The elementary motives why companies engage in vertical integrated are 'mechanical trading and lending, for example, the avoidance of warming and delivery cost in the instances of a brought together iron and steel manufacturers' as well as decrease in the shipping expense (Weston et al., 2004:.7). However, the advancement of manufacturing and inventory depends on the competent data which flows into the company. One of the benefits of this type of M&A is that it supports the firm to avert the ambiguity about the aid in distributing the long term bargain due to the complications of putting down and carrying out the abiding deal (Weston et al., 2004).

2.3.3. Conglomerate Mergers and Acquisitions

Conglomerate mergers involve companies producing different goods or services. The main motivation for undertaking such acquisitions is to exploit commonalities between the companies, e.g. the sharing of technology or access to foreign markets. An example of a conglomerate is Virgin Group that consists of many diverse entities

such as an airline company and banks. This diversity also acts as a way of managing risks. Conglomerates consisting of entities that produce many different products and serve many different markets are less vulnerable to changes in market demands as losses in one market or product group can be offset by gains in other markets or product groups. There is a tendency for conglomerates to underperform relative to specialized firms in terms of profitability and stock market valuation (Lipczynski 2009). Renneboog et al. support this finding in their study on value creation in large European M&As. They propose that vast firms ought not to further enhance by procuring target firms that don't match the acquirer's center business (Renneboog, et al 2003). It is apparent from the above that the strategic intentions behind the three categories of mergers are different but the overall goal is the same, to maximize profitability.

2.3.4. Cross-border Mergers and Acquisition

The words 'cross border' simply means across national border. Therefore, according to Wang (2007), cross border M&A is the collaboration of two or more foreign companies including solid cash flow. For the few years, cross border M&A had a higher trend because of the proliferation and the advancement of the internet. The arrival of this proliferation made companies to foresee and as well pursue a vying area, i.e. expanding their company across nations in order to gain competitive advantage worldwide (Wang, 2007). One good example of cross border M&A is that that happened in the earlier stage of the 21st century between Vodafone (United Kingdom) and Mannesmann AG (Germany) which has a record value of \$203 billion.

The foreign direct investment and a standout amongst the most generally executed vital choices in achieving the international diversification are mostly through cross-border merger and acquisitions (Stiebale and Reize, 2011; UNCTAD, 2007). Merger and acquisitions are mostly used to differentiate between item markets spurred by danger lessening system (Amihud and Llev, 1981). When it comes to cross-border merger and acquisitions (M&A), one question is rarely addressed, which is; 'does multinational enterprises with different international foot shaped impressions and item assortment show comparative profit from including geographical and item through M&A. This question is important in understanding the procedure of regionalization recognized by Rugman and Li (2007).

However, all these type of merger has one major objective which is to constitute the worth of the combined firm to be higher than the worth of the firms separately and the achieving of this objective depends on the teamwork effectiveness of the new firm.

2.4 Why Companies Engage in M&A

Motives Which Improves Investors Worth

In this segment, the intentions which can profit shareholders' worth will be explored. Exact confirmation reasons that these thought processes mostly incorporate the cooperative energy impact, change of managerial effectiveness, accomplishment of economies of scale and economies of extension, expanded business force and income development.

2.4.1. The Synergy Motive

Synergy has been depicted as $2+2=5$. In place words, the entire would be more noteworthy than the aggregate of its parts (Wang 2007). It suggests that the consolidated treatment of diverse exercises in a solitary joined together association is better, larder or more prominent than what it would be in two different elements (Bakker and Helmink, 2004). The statement cooperative energy originates from a Greek word that intends to co-work or cooperate (Bruner, 2004). Mergers hypothetically rotate around the same idea where two companies with meet up and pool in their aptitude and assets to perform better. Assessing cooperative energies and its impact is a vital choice in the merger process, principally for four reasons.

The main reason is that mergers are implied for worth creation and subsequently surveying how speculators would be made by the collaborations is essential. The second is surveying how speculators will respond to the merger arrangement is an alternate vital attention. Thirdly, directors need to uncover these methods and profits of such arrangements to speculators and consequently their ideal estimation and learning is imperative. Furthermore finally, esteeming cooperative energies is vital for creating post-merger mix methods (Bruner 2004). In any case, cooperative

energies might be further examined as being money related, working or managerial collaborations.

2.4.1.1 Operational Synergy

Operational collaboration speaks to the accomplishment of generation and managerial efficiencies. Likewise, it can be ordered into income improving working cooperative energy and expense decreasing working collaboration (Gaughan, 1999). As Copeland et al. (2005:762) report that "the speculation centered around working helpful energies expect that economies of scale and expansion exist in the business and that before the merger the associations are working at levels of development that come up short in regards to finishing the potential for economies of scale". In a manner of speaking, either economies of scale or economies of degree can provoke operational agreeable vitality. Furthermore, operational joint effort can assist associations with seeing some potential focal points, for instance, getting, get ready activities, ordinary parts and the headway of greater scale manufacturing workplaces (Harrison et al., 2001).

Operational collaboration might be clarified as a blend of scale, which would decrease normal cost as an aftereffect of more proficient utilization of assets and economies of extension, which would help an organization convey more from the same measure of inputs (Bakker and Helmik, 2004).

2.4.1.2 Financial Synergy

If two inconsequential organization's capital is consolidated and brings about the lessening of the expense of capital and a higher money stream, that is budgetary collaboration (Fluck & Lynch, 1999). Particularly talking, budgetary cooperative energy applies into financing lavish venture ventures which are hard to achieve on an individual premise (Wang 2007). Likewise, an alternate sort of monetary cooperative energy is to buy a focus at scratch and dent section costs. At the moment that the q-degree is low, the buyer is appraised as profitable in getting the objective (Copeland et al., 2005).

Accordingly, the worth formation of money related collaboration originates from the point of interest of lower expense of interior stores and more noteworthy development speculation of abundance money stream. Sudarsanam (2003) further calls attention to cost of funds is one part of worth creation in M & A. An alternate wellspring of money related collaboration is from the potential profits of expense reserve funds on speculation wage, on the grounds that the obligation limit of the new company is more critical than the aggregate of the two associations' capability after engaging in M&A. Moreover, it is backed that "monetary collaboration, generally, has a tendency to be connected with more esteem than do operational cooperative energies" (Wang, 2007).

2.4.1.3 Collusive Synergy

Collusive collaboration implies the rare assets are assembled and afterward the business force will be expanded. Besides, analysts have discovered that deceitful collaboration makes more esteem than operational cooperative energy and monetary cooperative energy (Wang, 2007).

2.4.2 Achievement of Economies of Scale or Scope

Most organizations participate in M&A having in mind to reduce the cost of production, on the grounds that low expenses are imperative for partnerships' productivity and achievement. However, companies can achieve their goals through economies of scale and economies of scope. Economies of scale as indicated by Brealey et al., (2006); alludes to the normal unit of creation decreases as generation builds. Attaining economies of scale might be gotten by level M&A, as well as by combination. In this way, the economy originates from "imparting focal administration, for example, office administration and bookkeeping, budgetary control, official advancement and top-level administration" (Brealey et al., 2006:874)

In some different cases, corresponding assets between two organizations are likewise the intention in M&A, this imply that more diminutive firms frequently have segments which is been required by the bigger firms, these will make the bigger firm to procure the littler firm.(Brealey et al., 2006) .

To total up, despite the fact that economies of scale and economies of extension can bring about organizations esteem creation, firms ought to likewise be mindful of scale and degree that may come about because of the dispersion of control, the ineffectualness of correspondence and the intricacies of the observation (Sudarsanam, 2003).

The capacity of a business sector member or gathering of members to hold in check of the value, the amount or the way of the items sold, accordingly creating additional typical benefits, are refers to as the business sector forces (Seth, 1990: 101). As Zaheer & Souder (2004) state, expanded business control and expanded income development are the most well-known destinations for firms partaking in M & A Zaheer & Souder (2004). These intentions could be accomplished through level M & A. Moreover, expanded business force can help organizations contend all the more adequately and income development could be accomplished by bringing down the costs of items which are exceptionally value delicate. New development open door originates from the production of new advances and items (Sudarsanam, 2003). Subsequently, the budgetary position of the securing firm will be fortified by expanded business sector force and income development. Accordingly the productivity of the firm will build and the shareholders' worth. Gaughan (2005) has communicated a comparative perspective.

2.4.3. Growth Motive

Development is vitally required for any firm to succeed. This development could be accomplished either through natural or inorganic means. Be that as it may, mergers (inorganic) are considered snappier and better method for accomplishing development as contrasted with interior extensions (natural). Alongside extra limit, mergers bring with them extra purchaser request too. Merger likewise bring with them get to offices, brands, trademarks, innovation and worker (Cameron and Green 2004).

In spite of the fact that mergers sound moderately simpler and helpful contrasted with inward development, there are hazard in really understanding the proposed profits. The comfort connected with development needs to be seen alongside danger of running a bigger participation too (Cameron and Green 2004).

2.4.4. Improvement of Managerial Efficiency

With a specific end goal to enhance managerial productivity, an organization may like to union or to gain a focus to enhance managerial effectiveness by rebuilding its mode of operating. Accordingly, productive administration principally originates from the potential profits of the fusion between two organizations' unequal managerial abilities.

Nevertheless, M & A may not be the best way to enhance administration productivity, yet at times it might be the most pragmatic and straightforward system (Brealey et al., 2006).

2.5. Motives Reducing Investor's Worth

Rather than the hypotheses focused around collaboration impacts, managerial productivity, economies of scale, economies of extension and expanded piece of the pie, various speculations contend that the intentions including managerial hubris, organization issue and free money stream hypothesis are the capable reactions to investors' worth obliteration for M & A.

2.5.1. Managerial Hubris

The hubris hypothesis induces that chief's search to secure firms for their specific individual expectations and that the impeccable money related increments to the obtaining firm are not the sole motivation or even the key persuasion in the obtainment (Gaughan, 2007).

Administrators are considered to have the help to make financial regard and can overview the capacity estimation of recipient (Seth et al. 2000). Notwithstanding, the hypothesis of hubris happens whenever the association of buying firm defames the estimation of recipient firms and generally over-evaluate the capacity energies (Berkovitch & Narayanan, 1993). Since managerial reward is typically joined with the measure of points of interest, whereby the top management is the controllers, executives incline to a higher advancement to large benefits.

Conclusively, managerial conduct of deduction drive horrifying M & A and with the help of demonstration has proved that when M&A is been drive by managerial hubris,

- i) The joined together estimation of the recipient and acquired organization ought to fall barely,
- ii) The estimation of the offering organization ought to diminishing,
- iii) The estimation of the recipient ought to broaden" (Wang, 2007).

2.5.2. The agency motive

Frequently mentioned agency problems, surfacing as a result of poor corporate governance, are empire-building and diversification. In the case of empire building, managers have a large amount of excess cash at their disposal. Self-interested managers, instead of returning the excess cash to their shareholders, choose for empire building instead. The excess cash makes it possible for managers to make poor acquisitions when they have run out of good ones (Martynova and Renneboog, 2008). Besides empire building, in some cases managers are suspected to participate in M&A in order to decrease their companies" earnings volatility, which enhances corporate survival and protects their own positions (Amihud and Lev, 1981). Lastly, empirical evidence has shown that rewards to top managers are driven by firm size rather than by performance, and as such this forms an extra incentive for managers to put their own interests before their shareholders" (Schmidt and Fowler, 1990).

Despite the fact that the office intention may decrease the estimation of the procuring firm, administration still wants to look for a target and afterward the reliance of the firm so their own particular fitness could be improved (Shleifer & Vishny, 1991). Along these lines, it appears that the office rationale is the primary purpose behind quality demolition in M & A.

In an expression, as opposed to the cooperative energy intention, when the org rationale is the primary thought process in M & A the coming back to the target is sure, while the comes back to the acquirer is more negative, in this manner the comes back to the recently organization is negative (Gondhalekar & Bhagwat, 2000).

2.5.3. Free Cash Flow Theory

Money streams accessible to suppliers or loan specialists of cash after all working costs and fundamental interest in living up to expectations capital and settled capital are termed as free money stream. This money stream is free and accessible for administrators to either reinvest or convey as profits (Depamphilis, 2008). Wang (2007) pointed out that frequently when a firm has sufficient free money streams' available to it, supervisors have a tendency to enter into mergers and securing as an intention to utilize these trusts since other speculation and buyback choices don't turn out to be that lucrative. Directors have a tendency to utilize this free money stream for acquisitions as it builds their domain and consequently market influence despite the fact that such obtaining may not make shareholder esteem. What's more, any dispersion of money streams as profits would prompt diminished assets available to them and loss of influence (Wubben 2007).

2.6. Motive Causing Doubtful Reaction on Investors' Value

The reason of taking part in M & A that are determined by expansion is to decrease the top chiefs' livelihood danger, for example, the danger of losing employment and the danger of losing proficient notoriety (Amihud & Lev, 1981). A lot of people vast firms look to accomplish broadening by outer M&A, as opposed to inward development (Wang 2007).

Broadening has an unverifiable impact, i.e. either esteem producing or quality demolition, on investors' worth. From one perspective, the imaginable profits of enhancement incorporate "more noteworthy working effectiveness, less motivator to forego positive net present quality activities, more noteworthy obligation limit and lower charges" (Berger & Ofek, 1995: 40). Furthermore, the estimation of the securing organization is expanded through broadening regarding economies of scale, economies of degree and business power.

Then again, Graham et al. (2002) contend that corporate enhancement decimates organizations' worth. The pulverization impacts from broadening results from over-asset and the financing of falling flat sections (Stulz, 1990). Then again, the profits of the expanded obligation limit and the decreased duty installments that come about because of the blending of two organizations may moderate the worth misfortune from broadening. Exactly, as Berger & Ofek expressed, "*Broadening*

makes a further duty advantage by permitting the misfortunes of a few sections to be counterbalanced concurrently against the additions of others" (Berger & Ofeck, 1995).

Moreover, the presumption of Seth et al (2000) shows "in an incorporated capital business sector, firm-level enhancement exercises to decrease danger are for the most part considered non-esteem amplifying as individual investors may copy the profit from such exercises at lower cost".

Conclusively, as to the connecting intentions of M & A and additions to the focus on, the securing organization and the recently consolidated organization, the accompanying table abridges the diverse examples of increases in M & A table.

Table 2.1: The Connection between the Motives of M&A and Gains

Theory	Consolidated additions	Additions to target	Additions to bidder
Productivity/cooperative energy	Encouraging	Encouraging	Non discouraging
Agency costs	Discouraging	Encouraging	More discouraging
Hubris	Nothing	Encouraging	Discouraging

Source: Weston et al, 2004

3.THE EFFECTS OF MERGERS AND ACQUISITION ON FIRMS DEVELOPMENT

3.1. Measuring Market Power

One of the external legitimate variables which are in the focal point of this paper is the business structure and its impact on the M&A accomplishment. Over the whole deal, higher or lower viability as a turn up of an association's force is not solely the change's result and execution of indispensable activities, yet it in like manner depends on upon the business system, i.e., the confrontational hole in which associations fight. The business system is depicted by different associations in the business at a sure reason for time and also by size of these associations, and the business obsession extent is used as a measure of industry structure (Lipczynski and Wilson, 2001: 103).

Researchers use particular method for obsession through which they endeavor to portray the business structure. Information on industry obsession proposes the method for centered compels in any industry. Most conventionally used obsession measures are the center extents and the Herfindahl-Hirschman Index. Obsession degree measures the piece of the overall industry of the N greatest firms in the business, and N regularly displays 3, 4, or 8 associations. The piece of the overall industry is to a great extent measured by the estimation of offers, assets or number of delegates. Fixation degrees speak to a deficient measure of industry focus, in light of the fact that the N demonstrates how a great part of the aggregate business yield was delivered by just the biggest organizations in the business. The weaknesses of these markers incorporate continuous incomprehensibility of accurately characterizing the business, powerlessness of consolidating the passage and passageway obstructions alongside the provincial and remote rivalry, and not considering the dispersion of the pieces of the overall industry of different organizations. Because of the deficiencies of the focus proportion, a few researchers use measures of fixation which consider all the organizations in the business (DePhampillis, 2013:57).

Not at all like the fixation proportion, the Herfindahl-Hirschman Index (HHI) shows not simply the scattering of bits of the general business by the N heading associations in the business, also the bits of the general business of distinctive associations. With a particular final objective to obtain accurate measures of center, Herfindahl-Hirschman Index, squares the bits of the pie of all associations in the apropos market and by so it offers more prominent imperativeness to the shares of heading organizations and consequently all the more precisely reflects the relative criticalness of extensive organizations in the occasion of a merger or a takeover. The record can have a worth from 0 to 10,000. In the event that the file has a tendency to be lower, then the business has countless with a little market share (divided industry), while the list of 10,000 implies that the business comprises of one and only organization. The Federal Trade Commission (FTC) is a free office made to secure consumers and to forestall and dispose of what controllers think to be hurtful against focused business hones. As indicated by the FTC, when the estimation of the HHI list is short of what 1,000, the business is not focused, while record values somewhere around 1,000 and 1,800 reflect moderate fixation (Dephampillis, 2010:63). List values over 1,800 recommend a concentrated business sector.

Organizational framework may run from a profoundly fragment to a solidly solidified industry. The divided business is not a type of inadequately focused industry with an expansive number of little or medium-sized ventures, none of which is in a predominant position, nor does it have the ability to shape the business occasions. Solidified industry is a manifestation of concentrated industry commanded by one organization or a little number of vast organizations. The guideline contrivance of this kind of industry structure is the emphasized dependence of associations, which is reflected by the way that the exercises of one association impact the adequacy of others, and their bits of the pie. The more engaged the business, as demonstrated by some examination, the more likely it is for the associations in the business to see their affiliation and not to enable strong rivalry that can reduce everyone's additions (Tipurić, 2007: 2).

There are groups of learns about the effect of industry system on the association's efficiency. In 1951 Bain drove an examination of the impact of industry system on the advantage of 42 collecting associations in the USA and came to the conclusion that the advantage of associations that work in business wanders with a more elevated amount of center is higher than the efficiency of associations which work in low engaged organizations. Demsetz's examination from 1973 was driven on an

example of 95 collecting associations, and it exhibited that the profitability of associations in the illustration did not create with the addition in the center extent (Demsetz, 1973: 9). Level mergers and acquisitions fabricate the association's bit of the pie, and moreover its business sector power, which can impact the operational expense's things. Growing piece of the overall industry in the circumstances of level M&A is a transitory addition and it is a bona fide test to keep up this offer in the whole deal. After a merger or securing of maybe a couple associations inside the same business, various associations take after that example and the formal augmentation in the piece of the general's pie industry of associations is hard to keep up (Sudarsanam, 2003:100). Mueller exhibited that only 18% of associations in the example made sense of how to hold their bit of the general business rather than 88, 50 % of associations that have kept up their bit of the general business, while not being incorporated into mergers and acquisitions. The study did not attest the hypothesis that mergers and acquisitions extend the associations' viability incorporated into trades by growing its bit of the general business. Mueller guesses that bidders, whose bit of the pie did not extended, worked not favored or all the more horrendous over associations that did not use mergers and acquisitions as an improvement procedure. Moreover, Mueller's supposition was that it was hard to accept that the loss of market share did not influence the abatement in productivity (Mueller, 1985:262) M&A can realize extended industry concentrate however that does not actually mean a lessened of contention between settled associations in the business part. Henceforth, the extended obsession does not realize extended advantages and creation of financial specialist's worth. Schmalensee and Willig (1989) contemplated that the relationship, if there is any, amidst obsession and advantage of associations is accurately immaterial and the surveyed effect are regularly little. As showed by Hay and Morris, coordinated in 1991, recommends that no examination exhibits that the obsession has a negative impact on advantage, and that only a substantial segment of the investigation concentrates on the immense positive relationship between these two variables (Hay and Morris, 1991:261).

To sum up, the study was that the profitability of associations in concentrated organizations is less enduring diverged from the advantage of associations in partitioned business endeavors (Keating, 1991:897). Ask about by Kandžija, Filipović and Kandžija coordinated on the sample of 43 associations that were accepted control in Republic of Croatia in period from 1998 to 2006 attested the proposed theory which communicates that chop down the inside degree of the focus

on affiliation's industry; the more gainful is the focus on affiliation's execution after the takeover. Makers of the same investigation point out that after the M&A blended pack of changes happen in associations incorporated into trade, and consequently if the business is depicted by lower center extent, these movements will have a more significant effect on the business execution of the objective association rather than the circumstances when the business is concentrated (Kandžija et al 2014:17). Investigation shows experiential result, it can be induced that industry structure influences M&A accomplishment and that M&A experts should put phenomenal focus on that external definitive variable when closing M&A exercises.

3.2. Measuring Effectiveness by Financial Performance

Finance studies analyze the progressions in fiscal accomplishment of the both companies joined as one. Financial ratio analysis focuses more on the activities on the company's progressions like the net revenue, net salary, return on values and assets, development costs e.t.c (Wang 2007). Besides, both companies focused around developing its business and as well with a mindset at the end goal to delineate whether the securing organization outflanks its rivals that did not engage in M&A (Bruner; 2002).

Despite the fact that there are four methodologies to measure the productivity of M&A, because of the limit of this study, the thesis progresses a financial ratio analysis to research technique to study the impact of M&A on organizations' budgetary execution.

An accounting study, which is focused around the assessment of operation execution changes, gives an extra understanding into impact of M&A particularly at the circumstances when offer cost information is not accessible for analyst. Moreover, it specifically gives the effect of M&A on the securing and the procured firm or the joined association's expenses, incomes, gain, money stream and so on along these lines, a bookkeeping study has turned into a huge monetary execution of M&A.

To begin with, the outline of each organizational monetary highlights, accounting report, benefit and misfortune account in organizations' yearly reports. From the budgetary highlights and asset report, the key figures, for example, current holdings, inventories, current liabilities, complete stakes and value will be chosen. The critical

figures, for example, net profit, working profit, turnover/income, and expense of offers etc. might be gotten from profit and loss account. The reason of picking these key figures is that this bookkeeping information is essential for ascertaining monetary degrees which incorporate profitability ratios, liquidity ratios, activity ratio and key development rates. Distinctive monetary proportions are utilized to assets different parts of the organization's budgetary execution and have differing implications.

Table 3.1: Formulas of key financial ratios

Key Growth Rates	Turnover
	Change in Turnover
	Net Profit
Profitability Ratios	Net Profit Margin= net profit after tax / sales
	Gross profit Margin= gross profit / sales
	Return on Assets = net profit before interest / total assets
	Return on Equity= net profit after tax / equity
Liquidity Ratios	Current Ratios= current assets – current liability
	Quick Ratio= current assts –inventories / current liability
Activity Ratios	Total assets turnover= sales / total assets
	Inventory turnover= cost of sales / inventories

Source: “global financial accounting and reporting” Walton & Aerts (2006:237)

- Profitability ratios are typically used to calculate the organization's accomplishment, in light of the fact that productivity is a real estimation of the general achievement of an organization and acquiring a palatable benefit is the significant objective of each one organization. Walton & Aerts (2006) stated that it is critical to use edge extents for example examination and examinations among associations. Horrendous general income breaks down the association's working benefit and working lucratively.

The net income on a very basic level measures the association's general profit and is furthermore implied as benefit for arrangements. It is regularly had a striking resemblance business or among differing years to show that how productive the organization is in making profit from a given measure of offers (Walton & Aerts, 2006).

ROA calculates the effectiveness of organizations. This implies it reflects the amount the organization has achieved on all assets. The degree of ROE calculates the amount the organization has achieved on the investors' stores (Walton & Aerts, 2006). It reflects the viewpoint of investors and is likewise used to think about benefit among various organizations or starting with one year then onto the next year.

- Liquidity degrees for the most part consolidate current degree and fast degree. Current extent and fast degree measure the transient liquidity issue, which came to fruition in light of a condition when current cash inflows don't match current cash outpouring. Case in point, the cash receipts from arrangements are unequal to the cash portion to suppliers, representative and so forth (Walton & Aerts, 2006). In the estimation of smart degree, it bars stock on the reason, in light of the way that truly stock is the smallest liquid current stake and should not to be contained in the class of lively advancement to cash.

- Action degrees essentially measure how capably the organization uses the association's favorable circumstances. Complete holding turnover indicates how gainfully an association uses its total stake. As a consequence of this trademark, supreme holding turnover is furthermore used to consider among different associations centered on the same business or complexity from one year with an exchange. Stock turnover escapes to the working benefit and also liquidity needs, so this degree exhibits how powerful the working capital organization is (Walton & Aerts, 2006).

Besides, the real point is the progressions of degrees starting with one year then onto the next or the correlations among different organizations, on the grounds that total proportions don't have any implications. At last, to regulate firm-specific, industry-specific and financial wide parts that may stance impact on the estimation of associations' profitability, the movements in profit for the acquiring association will be differentiated and its benchmark bunch, which are for the most part the getting organizations' top rivals on the reason of near size and in the same business through comparable estimation. In this proposal, the benchmark social occasion is

made out of the securing association's fundamental two rivals. This venture generally incorporates the cash related degree dismemberment, which is one of the fundamental gadgets of fiscal examination and it can give the easiest connections among associations. Moreover, the picked benchmark bundle not made significant securing or was secured in the midst of the observation period.

The archive of this paper is fundamentally from organizations' yearly statement as well as monetary record, benefit and misfortune account, wage proclamation and money stream articulation, which were accessible at organizations' sites. The reason of picking these announcements is that they can give a preview of an association's money related position and execution. Additionally, some pertinent information and data are gathered from online production, for example, proxy statements, monetary diaries and research papers.

4. ASSESSMENT OF EFFECTIVENESS OF M&A ON FIRM GROWTH

Since Fama et al(1969) explore on stock, studies has it transformed into the transcendent framework for choosing the effects of an outcome on stock revenue, and was transformed into a convincing gadget that can encourage associations to evaluate if there are unusual returns (Wang 2007). It is overall perceived that the dependability of an occasion study depends intensely on an arrangement of solid suspicions (Wang 2007).

Bodie (2005) an occasion study "portrays a procedure of observational monetary explore that empowers a spectator to survey the effect of a specific occasion on an association's stock cost". Case in point, an event study may find the connection among stock revenue and benefit transformation. Bruner (2002) additionally calls attention to that an occasion study analyzes "the irregular comes back to investors in the period encompassing the advertisement of a transaction".

Despite the fact that various occasion studies demonstrate that M & A makes investors esteem, the vast majority of increases are fit in with shareholders of targets. Case in point, Bruner (2002) focuses out target shareholders can acquire positive business sector returns, while getting investors may win zero balanced returns, the joined together organization may gain positive balanced returns.

The consequences of exact investigations of M & An effect on stock returns might be grouped regarding fleeting and long haul approach. "The transient methodology expects stock exchange proficiency that implies stocks response to attainment when they are published or finished gives a solid evaluation of the normal estimation of the securing. The long haul execution evaluation accept money markets invests time to assess the worth ramifications of acquisitions and hold up new data about the advancement of the merger." (Sudarsanam, 2003:71).

4.1. Analysis of Mergers and Acquisition in United Kingdom

Reviews of officials' shows one study that focused around inquiries put to administrators by method for an institutionalized poll, for example, just wanting directors the intentions from M & A or whether M & A make or decimate esteem for investors. At that point the post-merger execution might be gathered from the poll (Wang 2007).

One specimen of investigation of authority studies is Ingham et al (1992), who contemplated one hundred and forty six of United Kingdom's principle. Regardless as for whether the benefit of securing firms stretched after merger and acquisition, this dissertation got various disclosures. From short-term point which is from zero to three years, 77% of chiefs stated that temporary profit extended after M & A, while in the long haul (in abundance of 3 years), 68% of managers demonstrated the benefit stretched. Then again, one issue should be recognized in this study. The examples in this study incorporated the securing of exclusive organizations; while the past cash composition in a far-reaching way concentrates on focusing on open associations' M & A.

Be that as it may, one issue ought to be noted that the majority of the above experimental confirmation, which uses bookkeeping studies, is constrained to assess one or two parts of budgetary execution, for example, return on equity, profits, or deals. This is clearly insufficient, in light of the fact that as expressed prior, the progressions of net wage, overall revenue, development rates, return on equity, return on assets etc, (Bruner 2002). Consequently, in this exposition, in section four-dissection and results, the majority of the budgetary data will be dissected on the off chance that examines. At long last, each one methodology has it qualities and shortcomings as takes after:

Table 4.1: Comparisons among event and accounting research approach

	Strengths	Weaknesses
Event studies	<p>A direct measure of value created for investors</p> <p>A forward-looking measure of worth creation. In principle stock costs are the present estimation of expected future money stream.</p>	<p>Requires critical suppositions about the working of businesses: productivity, levelheadedness, and nonappearance of limitations on arbitrage. Examination recommends that for most stocks these are not nonsensical suppositions, by and large and over the time</p> <p>Defenseless against puzzling occasions which could skew the return for particular organizations at particular occasions. Mind by the analyst and law and vast number bargain with this.</p>
Accounting studies	<p>Credibility: statements have been certified and audited.</p> <p>Utilized by speculators within judging execution. A roundabout measure of monetary worth creation.</p>	<ul style="list-style-type: none"> - Perhaps non-equivalent information for diverse years. Organizations may change their reporting standards and regulations change additional time. - Backward looking - Ignoring the intangible assets values. - sensitive to swelling and flattening on account of notable expense approach - Possibly lacking revelation by organizations. Extraordinary scope in reporting budgetary result -Different among companies in the reporting policies and noise, -Contrasts in bookkeeping standards starting with one nation then onto the next make cross-country comparison difficult.
Cases Studies	<p>-Objectivity and depth in reconstructing an actual experience.</p> <p>Inductive research for discovering new pattern and behavior</p>	<p>-Iii-suited to speculation testing on the grounds that the little number of perceptions confines the analyst's capacity to generalize from the cases.</p> <p>-The exploration report might be eccentric making it troublesome for the reader to digest bigger ramifications from one or a few reports.</p>

Sources; "Does M&A pay? A survey of evidence for the decision maker" (Bruner 2002).

4.2. Analysis of Mergers and Acquisition in the U.S.A.

Mueller's (1985) investigation considered the connection among merger and acquisition and piece of the pie for the 100 biggest US organizations somewhere around 1950 and 1972 by breaking down piece of the pie information. Keeping in mind the end goal to stay away from some unverifiable components that may influence piece of the overall industry, the piece of the pie of other non-gained company were chosen to be contrasted than that of obtained companies. The discovering demonstrated that the obtained organizations endured generous misfortunes in piece of the overall industry after M & A, paying little mind to whether they were taking part in even or aggregate M & A. On the other hand, this finding did not specifically infer diminished productivity or shareholders' return, yet the profit for holdings (ROA) or deals may decay for the procured organizations with respect to their organization.

Accessing through working execution, Healey et al (1992) dissected the post-merger and acquisition working execution of the fifty largest merger and acquisition activities in United State in the midst from 1979 to 1984 and this same business execution was used as a point of reference. The inventors exhibited that after M & A, the extended holding turnover brought about noteworthy upgrades in the working money stream for obtained firms, contrasted and its non-gained associates. While the expanded holding benefit was not at the cost of long-term execution, in light of the fact that the examples of companies used in this in this study kept up funds consumption and research and development rate with respect to their businesses after merger and acquisition. All the more imperatively, this study was prepared to deduce that there is a robust encouraging connection involving the change in meeting expectations in money stream after merger and acquisition and the irregular stock income at merger distributions. This intimates that the offer cost at assertion may be illuminated by the typical budgetary increments.

It is perceived that the above exact confirmation is constrained to understand the profitability that companies stands to gain after engaging in merger and acquisition; they don't uncover the impacts of installment on benefit. Among the early analyst who looked at the connection among working money stream merger and system for installment utilized within merger and acquisition for securing organization was Ghosh (1997) for over 310 mergers activities that took place between 1981 to 1995.

The cash stream of the purchasing company decreases basically with stock installment, despite the fact that stock purchases are a decent method to decrease expense; the profits from such a methodology are short of declined revenue. Then again, the creator did not discover any confirmation that the obtaining organization beats its companions in term of money stream after expansive M & A. Be that as it may, one of the downsides of bookkeeping studies is that the ascertained conclusion frequently disregards current business sector esteem and is just focused around recorded information (Pilloff; 1996).

In this part, one detailed analyses were broke down so as to check the consequence of the writing audit. The case included is the instances of Hewlett Packard's procurement of Compaq (Merger) in 2002. This case was investigated to explore the rationale behind their M&A and the impact of these exercises by contemplating the post-M&A execution. The purpose behind selecting this case is due to the fact that all the more vitally, the information on these two organizations which is needed for the investigation was accessible.

4.2.1 Hewlett-Packard and Compaq Case

4.2.1.1 Performance of Hewlett-Packard

From its starting point in a Palo Alto carport to its present position as one of the global's heading engineering organizations, **Hp** has developed and evolved altogether since its establishment in 1939. In 1966, hp introduced their first computer which was "**Hp 2116A**". It is created as an issue instrument controller for HP's becoming group of programmable test and estimation items. In an early form of "fitting and play," it interfaces with a wide number of standard lab instruments, permitting clients to mechanize their instrument frameworks. The first go-anywhere, do-anything machine, the first 2116a is sold to Woods Hole Oceanographic Institute and utilized aboard to exploration vessel as a part of a salt-air environment for more than 10 years. In 1972, it expands into business computing with the hp 3000, which introduces the era of distributed data processing.

In 1975, hp became a worldwide company and upto date it remains that way. Hp in 1982 wins the prestigious deming prize for quality. Hp produced alot of machines like handheld computer debuts, pocket calculators, desktop mainframe, ThinkJet printing, touchscreen pc etc. Hewlett in 1983 was honored the National Medal of Science, the country's most astounding investigative honor. HP changes colour

printing with the presentation of the reasonable HP Deskjet 500c. HP Labs researchers make basic shade (sRGB), pressure and half-toning calculations for the Deskjet 500c, drastically decreasing the expense of colour printing. HP turns into one of the first organizations to energize working from home, intended to expand work fulfillment, lower stretch and enhance representative maintenance. HP and Compaq combine. The new organization serves more than one billion clients over 162 nations. HP's stock image is changed to HPQ to reflect the consolidated organizations.

After the passing of Packard in the 1990s and Hewlett in the early-2000s, the organization presents the HP Laserjet5si printer, which dispenses the requirement for photocopying, and is additionally an all in one printer with duplicate and scan capacities. By 1998, Hewlett Packard creates a Jordana Palmtop PC that runs on a Windows operating framework. In 2002, Hewlett Packard consolidated with Compaq, turning into the worldwide pioneer in machine items and innovation. In 2004, Hewlett Packard markets to another part of customers, offering films, music, TV and photography items. The organization aggregated more than \$104 billion in 2007 (HP,2015)

Table 2.2: Key Figures and ratios of HP from 1999 to 2001 (€million)

	1999	2000	2001
Revenue	42,371	48,870	45,226
Cost of sales	29,888	35,046	33,474
Gross margin	12,485	13,824	11,752
Equity	NA	14,097	13,953
Total asset	NA	34,009	32,584

Source: Compiled from Hp annual report 2001

http://library.corporateir.net/library/71/710/71087/items/141462/graphics_10k.pdf

4.2.1.2. Performance of Compaq

In the year 1982, Compaq was made and was one of the world's heading supplier of services, data innovation items and answers for big business clients. Compaq outlines, creates producers and markets data engineering supplies, programming,

administration and solving problems, including industry-leading undertaking stockpiling and figuring solutions, flaw tolerant business-discriminating solutions, correspondence items, individual desktop and journal machines, and individual diversion and web Access gadgets that are sold in more than 200 nations straightforwardly and through a system of approved Compaq showcasing accomplices.

4.2.1.3. The Merger Between Hewlett Packard and Compaq

Hewlett-Packard Company (NYSE: HWP) and Compaq Computer Corporation (NYSE: CPQ) declared a conclusive merger consent to make an \$87 billion worldwide engineering pioneer. The new HP will offer the business' most finish set of IT items and administrations for both organizations and customers, with a pledge to serving clients with open frameworks and architectures. The joined organization will have number one overall income positions in servers, access gadgets (PCs and hand-helds) and imaging and printing, and leading income positions in IT administrations, stockpiling and administration programming.

The merger is relied upon to create cost cooperative energies arriving at roughly \$2.5 billion yearly and drive an altogether enhanced expense structure. In light of both organizations' last four reported financial quarters, the new HP would have surmised expert form resources of \$56.4 billion, yearly incomes of \$87.4 billion and yearly working profit of \$3.9 billion. It would likewise have operations in more than 160 nations and in excess of 145,000 representatives.

"This is an unequivocal move that quickens our technique and positions us to win by offering significantly more prominent worth to our clients and accomplices," said Fiorina. "Notwithstanding the acceptable vital profits of consolidating two exceedingly corresponding associations and item families, we can make considerable investors esteem through noteworthy expense structure changes and access to new development open doors. At an especially difficult time for the IT business, this blends vaults us into an administration part with clients and accomplices - together we will shape the business for a considerable length of time to come."

In the wake of dissecting the key figures of Hp from 1999 (see table 4), it could be presumed that there was no expanding pattern for its deals from 1999 (\$42,371) to 2001 (\$45,226). The other key figures are equally not expanding in the space of three years. This simply shows that the growth of the Hewlett-Packard within these three years is more or less the same. Be that as it may be, in year 2000, there was an increase in the company's transaction than that of the previous year 1999.

Table 4.3: Key figures of Compaq (\$millions)

	1998	1999	2000
Revenue	31,169	38,525	42,383
Cost of sales	23,980	29,798	32,417
Net income (loss)	(2,743)	569	569
Total asset	23,051	27,277	24,856
Equity	11,351	14,834	12,080

Source: compiled from Compaq annual report 2000

<http://library.corporateir.net/library/71/710/71087/items/141331/cpq2000report.pdf>

Table 5 above shows some key figures of Compaq annual report from 1998 to 2000. This will help the reader to understand more the effects of merge between Hp and Compaq. According to the table, there was an increase in growth of Compaq Company. The revenue in 1998 was \$31,169 and it increases to \$42,383 in 2000; this is to show that there was an increase in revenue within these few years. Nevertheless, the cost of sales increases as the revenue increases as well. The net income in 1998 at a loss which changed to profit in 1999; this shows that Compaq is not yet stable in times of profit stabilization. On the row of total assets and equity, there is very little increase within the period of three years.

This shows that before the merge with Hp, Compaq was not in a stable position to survive the economy alone and properly, that was the reason of the merger activity with Hp.

Table 4.4: The Key figure of HP from 2003 to 2005 (after merging)

	2003	2004	2005
Revenue	73,061	79,905	86,696
Cost of sales	70,165	75,678	83,223
Gross Income	2,896	4,227	3,473
Net Income	2,539	3,497	2,398
Total Assets	74,708	76,138	77,317
Equity	37,746	37,564	37,176
Retained Earning	NA	15,649	16,679
NP before Tax	2,888	4,196	3,543
ROA	0.038	0.055	0.045
ROE	0.067	0.09	0.06
Total assets turnover	0.97	1.05	1.12

Source: compiled from Hp annual report ;(<http://library.corporate-ir.net/library/71/710/71087/items/188195/05ar-graphics.pdf>)

The above table 6 shows some of the key figures of HP Company after the merge with Compaq computers, and one of the ways to recognize a successful M&A activity is through comparing the company's financial report before and after M&A activity.

In this case, the average revenue generated from the three years (1999 to 2001) of HP before the merger is \$45,489m and the average revenue for Compaq from the three years (1998 to 2000) is \$37,359m while that of HP after the merger is \$79,887m. This implies that the combination of the both company generated almost the same revenue for the three years of operation after merging. There was also more input on assets which is more than that of the separate companies, nevertheless, there was a huge increase in the shareholder's equity after the M&A activity which was less than what the shareholders worth when there were in separate state.

With this, it could be concluded that the merger between HP computers and Compaq computers was not successful in some of their transactions for the first third year of working together but that does not deny that fact that that it increases the worth of its shareholders, and that is one important fact of this dissertation. This M&A activity of HP computer and Compaq computer increased its shareholders worth so it has a positive effect on the growth of the firm.



5. Analysis of Mergers and Acquisitions in Turkey

5.1. Turkish Economy

Turkey's to a great extent free-market economy is determined by the January 24th 1980 decisions. In the period 1980-2001, Turkey followed liberalization policies very strictly. Most of the industries adopted themselves to the free economic system perfectly.

Feb. 19, 2001, is engraved on the awareness of the populace of Turkey as the beginning date of the best monetary dejection in the republic's history. The date has passed into history as "Dark Wednesday." The 2001 monetary emergency implied decimation to numerous however came as a help to some. Feb. 21, 2011, denoted the tenth celebration of the 2001 monetary emergency that handicapped the Turkish economy. Each Turkish resident can think back about destroyed banks, unemployed artisans, shops going bankrupt and Turkey's having bowed down to the International Monetary Fund (IMF). The underlying drivers for the 2001 budgetary emergency developed in 2000. In November 2000, a liquidity crunch emerged in the nation that initially undermined Turkey according to the outside speculators, and afterward local ones, prompting a genuine liquidity emergency in the budgetary division. The Central Bank of Turkey at first supplied liquidity to the business sector, yet it shut the liquidity channel because of loss of believability in the supportability of the remote trade administration. The managing an account framework and remote speculators inclined toward outside trade quickly and overnight investment rates took off to 2,000 percent, pulling the pin on the monetary emergency. Thus, the stock trade dropped 20 percent and repo diversions took off to 760 percent. There was an immense outpouring from the national bank of remote trade worth \$7.6 billion. The expense of the emergency at current rates is evaluated at TL 251.563 billion.

A forceful privatization program has decreased state association in essential industry, keeping money, transport, and correspondence, and a rising unit of white collar class business visionaries is adding dynamism to the economy and growing creation past the customary materials and attire areas. After Turkey encountered extreme money related

emergency in 2001, Ankara embraced monetary and financial changes as a major aspect of an IMF program. The changes reinforced the nation's financial basics and introduced a time of solid development averaging more than 6% every year until 2008. Worldwide financial conditions and tighter monetary approach brought on GDP to contract in 2009. However Turkey's recently directed money related markets and managing an account framework helped the nation climate the worldwide budgetary emergency and GDP bounced back firmly to around 9% in 2010-11, as fares came back to ordinary levels emulating the subsidence. Development dropped to around 3-4% in 2012-13. Turkey's open area obligation to GDP proportion has fallen beneath 40%, and two rating agencies overhauled Turkey's obligation to venture review in 2012 and 2013. Turkey stays reliant on regularly unpredictable, transient venture to fund its substantial current record deficiency. The stock estimation of FDI arrived at about \$195 billion at year-end 2013, reflecting Turkey's vigorous development even despite financial turmoil in Europe, the wellspring of quite a bit of Turkey's FDI. Turkey's moderately high present record shortfall, residential political instability, and turmoil inside Turkey's neighborhood leave the economy helpless against destabilizing moves in speculator certainty.

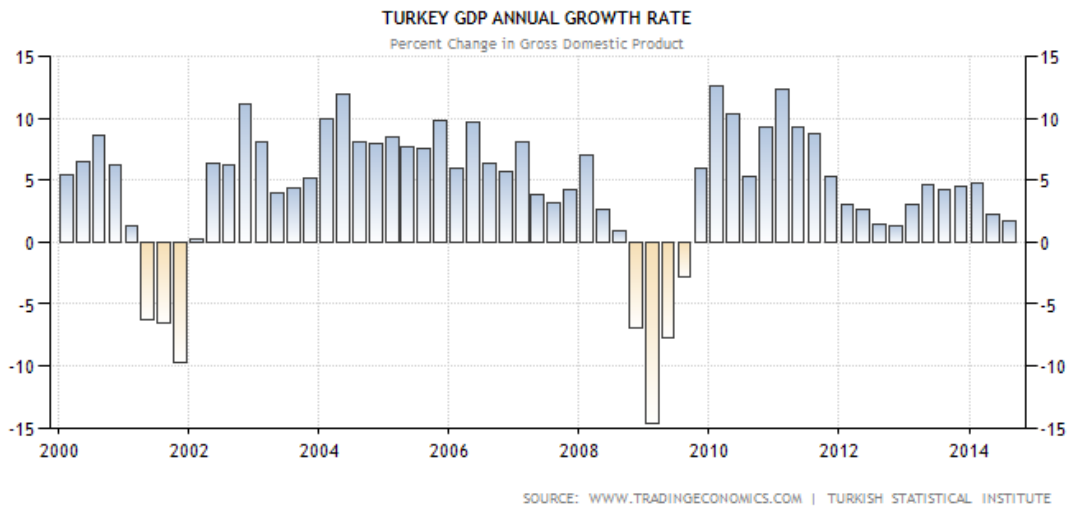


Figure 5.1: Turkey GDP Annual Growth Rate
 Source: Trading economics;
<http://www.tradingeconomics.com/turkey/gdp-growth-annual>

The figure 5.1 above shows the Turkey GDP annual growth rate from 2000 to 2014. As shown on the diagram, the GDP was stable at the beginning of 2000 until the ending

when there was a decreasing situation. As at 2001 it decrease drastically to -7 and towards the end of 2001 it dropped more to -10. It increases in the year 2002, though it was not stable but did not go beyond zero(0) until the last quarter of 2008 when it record the highest depreciation in the last 15 years which was at -15(according to the diagram). There again, on the 2010, it records the highest increase for the past 15 years which was 13, though was not stable but did not go below zero. It dropped in 2012 to 2, increased a bit in 2013 and again decreasing in year 2014. Turkey's GDP advanced 1.7 percent year-on-year in the third quarter of 2014, following a revised 2.2 percent expansion in the previous period. The economy slowed for the second consecutive quarter as private consumption eased and investment continues to decline.

In the most recent two decades M&A turned into a prominent key instrument in Turkey. From 1990 to April 2010 there were in excess of 600 finished takeovers. One of the key drivers for this merger wave is the privatization process. Privatizations began in 1989 and advanced with the dispatch of the IMF's Staff Monitoring Program in 1998 are even now proceeding with (Yeldan, 2005). Combination considers an alternate variable compelling M&A in Turkey. The monetary emergency in 2000 and the managing an account emergency following in 2001 prompted an expansive decrease in the value costs and consequently animated bigger M&A exercises. After the 2001 turmoil the development was high enhancing the acquiring force of Turkish organizations. This pushed a merger wave in Turkey (Yeldan, 2005).

There are numerous open doors in Turkey for worldwide speculators specifically. In the most recent decade, Turkey has actualized a few changes to enhance conditions for remote financial specialists. Subsequently, Turkey pulled in remote immediate venture in excess of 70 billion dollars and the quantity of organizations with outside capital working in Turkey arrived at to 20.000. Regardless of the worldwide emergency, downright remote immediate interest in Turkey has arrived at to 80 billion dollars. Turkey has as of late turned into a business place for all the speculators around the globe; in like manner the sum that M&A exercises happen in Turkey has expanded so quickly.

Taking into account the aftereffects of autonomous reports, the year 2011 is recorded as the year that the most transaction exercises regarding Mergers and Acquisitions exercises got acknowledged truly in Turkey. Remote legitimate speculators are included in about %74 of the transactions reported with a transaction volume at a level of 11

billion USD dollars. Outside financial specialists show engage basically to the wellbeing and money related administrations, creation, nourishment drink, e-business and vitality divisions in Turkey.

It is likewise reported that Mergers and Acquisition exercises in 2011 got acknowledged basically through little and medium measured transactions. Almost 1/5 of the transactions got acknowledged through private value stores as indicated by reports. It is seen that private value stores are quick to work in the wellbeing, nourishment and beverage and e-trade parts in Turkey.

The most dynamic business areas were healthy, e-exchange and preparing parts in 2011. On the other hand, imperative, sustenance drink, money related organizations and creation divisions in like manner savored the experience of a gainful year. In 2012, we expect that retail, essential, e-exchange; land, sustenance and beverage and cash regions will be the most dynamic parts in Turkey. Despite the negative money related progressions all far and wide, due to new inspirations and legitimate modifications, we don't infer that premiums of remote theorists and private quality trusts won't stop or decrease, moreover merger and acquisitions activities will be dynamically happened.

Table 5.1: Foreign Direct Investment Inflow in Tukey

	2008	2009	2010	2011	2012
Capital(Net)	14.712	6.170	6.203	14.064	9.335
Inflow	14.747	6.252	6.238	16.055	9.968
Outflow	-35	-82	-35	-1.991	-633
Other Capital (Net)	2.111	711	339	-30	416
Real Estate (Net)	2.937	1.782	2.494	2.013	2.636
Total	19.760	8.663	9.036	16.047	12.387

Source: Central Bank of Republic of Turkey

From the above table 7, as at 2012 the inflow of foreign direct investment (FDI to Turkey have reached \$12.4 billion. In 2012, FDI inflows to Turkey decreased by 23% compared with 2011 in line with the global FDI flows. With the growth trend in strategic investments and private equity funds, FDI inflows to Turkey is expected to be between \$15-20 billion in 2013. This amount can further increase if the privatization tenders are completed successfully, but of course with international bidder interest and also if we see other improvements in credit and investment ratings of the country.

In 2012, out of \$12.4 billion FDI inflows to Turkey; \$9.3 billion represents the net capital inflow, \$416 million is other capital inflows, and \$2.6 billion is the real estate acquisitions and sales of non residents in Turkey.

5.2. Turkish Retail Industries and The Case of Migros

Some retail industries in turkey will be discussed at this very point, and there are Migros, BIM and Carrefour. Turkey has a good number of retail industries but due the case study which was use in this dissertation (Migros T.A.S), only few of its rival industries was discussed.

Table 5.2: Top five grocery retailers in Turkey 2010

Company	Country of origin	Number of outlets	Total sales Area	Average sales Area	Grocery retail banner sales (EUR)
BIM	Turkey (investors from USA and Saudi Arabia)	2,951	1,215,812	412	3,013,659,522
Migros T.A.S	Turkey (owned by British investment fond)	1,902	939,845	494	2,729,859,601
CarrefourSA (incl. DiaSA)	France and Turkey (joint venture)	1,138	579,360	509	1,276,416,890
Metro group	Germany	31	275,200	8,877	944,156,429
Tesco	UK	121	286,332	2,366	588,200,600

Source: Planet retail, 2011, 25

Table 8 above shows the positions of the Turkish retail industries in the year 2010. It is shown that the turkey originated retail industry was the 1st on the list as the leader of the retail industries in turkey followed by Migros T.A.S and afterward CarrefourSA and so on. Having officially sold Migros' rebate auxiliary SOK to Turkish nourishment titan Ulker, So also, late proclamations by top Turkish consolidate Sabanci that it is considering leaving its joint wander with Carrefour recommends that the 247-store Carrefour chain could likewise be put discounted.

5.2.1 The Overview of Migros Ticaret A.S

Migros market was found in 1954, by Gottlieb Duttweiler even with developing populace of Istanbul. It pursued hole between Istanbul downtown area and encompassing neighborhoods and expanding average cost for basic items. In 1975, Koc holding, a standout amongst the most paramount gatherings in turkey assumed control over the

greater part imparts of Migros in 1975 to the longing and course of the author. Migros who opened 4 stores in Izmir with the exception of Istanbul without precedent for 1988 propelled the base work for Aegean Region. By 1989, Migros store gives benefit in two (2) real urban communities thirty four (34) stores. It turned into a traded on an open market organization in 1991 and made the brand of "SOK" in 1995 which is the first rebate brand of Turkey. Migros united the first 'private mark' item with "Migros" brand with the clients and again scored an alternate first with the likelihood of MasterCard shopping. Migros , which started the "Migros from client's point of view" studies with the client fulfillment overviews without precedent for Turkey, met with its clients with 75 stores and SOK stores in 5 locales to be in Marmara, Aegean, Mediterranean, Central Anatolia and Southeast in its 40th years of celebration. In 1998, Migros clients met with the preferences of Migros Club Card which is the first unwaveringness card application in the division. Migros arrived at to 325 stores altogether in 7 geological districts as of end of 1999 with the development rate of 2 new stores in a week. Opened the greatest mall of Turkey in Ankara, and Turkish shoppers are introduced with the "organization toward oneself look at" framework without precedent for Turkey and in Europe in the hypermarket in this shopping plaza. Migros opened 128 stores at home and abroad in a few areas and expanded its store number to 450. Migros, which brought administration to 160 million clients with the store number up to 461 starting 2001, then again quickening its running retail period with Moscow driven, expanded its store number from 9 to 15 in one year.

Migros obtained Tansaş which is a retail network with a quantum jump in 2005 and bolted its initiative in the division and kept on selling to its clients with the brands varying with different organizations alongside the cooperative energy made with this merger. Migros, which presented with 505 stores altogether at home at the end of 2005, has arrived at to 566 stores altogether with the assistance of abroad partners. This number arrived at to 722 with the Tansaş stores. Migros Ticaret A.s., which got to its clients with Migros, Tansaş, Sok, Macrocenter and Kangurum brands after the merger with Tansaş, kept up the restrictiveness and uniqueness of each one organization with the ability to deal with the numerous organizations and reacted to distinctive desires and needs. Tansaş introduced 6 stores in the most recent 6 days in August. M-Jets took their spot in the part as the most down to earth and speediest type of general store. 3200 things of items were offered available to be purchased at M-Jets, the most diminutive of which secured 150 m2. Migros started the time of "Topical Shopping"

without precedent for Turkey at the end of 2011. The primary topic was the "Wistfulness Campaign" of Migros by ideals of its 57th Anniversary. With this crusade, numerous established brands of the nation met the clients again with the outline and costs of 50 years prior.

5.2.2 The overview of BIM

BIM is a turkey originated retail industry that commenced in 1995 with 21 stores. It operated successfully and as at 2001, BIM was able to own 87 stores despite the economic crisis as at that time. In 2003, BIM recorded its first net sales to exceed one billion TL and in 2005, 44, 12's% of BIM's shares were offered to the public. BIM started its first overseas operation with opening stores in morocco and in 2013 it opened the first store in Egypt. As of this present day, it owns 3,655 stores of which 366 were included a year ago alone. Turnover a year ago increased with \$5.5bn, with final quarter deals up a solid 16% to Try2.58bn and benefits up 7.6% at Try85m. Development in Turkey has yet to top and its anticipating opening a further 375 stores in 2013, as a component of a \$270m speculation and extension arrangement went for becoming deals by 17-18% in the not so distant future.

BIM has become naturally without making any acquisitions, however Dortluoglu wouldn't preclude any future buys if the privilege target presents itself, or a move far from its base of "hard rebate" retailing given that Turkey's per-capita using is relied upon to climb from around \$7,350 in the not so distant future to over \$10,000 by 2015. "In the event that there is a better than average open door, we ought to think of it as, however an alternate arrangement would be more fitting to adjust the business," he says, bringing up that Turkey's general store division is as of now in a time of unparalleled change.

5.2.3 The overview of Carrefour

As the world's second largest retailer, Carrefour SA operates more than 10,300 stores in France and abroad under more than two dozen names including Carrefour, Champion, Shopi, Marché Plus, Dia, Ed, and Promo cash. The company merged with Promodès SA in 2000 to become Europe's leading operator of supermarkets,

convenience stores, discount stores, cash-and-carry outlets, and hypermarkets. The company's founders created the concept of the hypermarket, an expanded supermarket offering a wide variety of merchandise--including groceries, electronics, clothing, and automotive supplies--that allowed consumers to accomplish most of their shopping at one store. Hypermarkets became a rapid success, revolutionizing the retail industry in France and worldwide. In 1993, Carrefour entered Turkey and operated in a joint venture with Sabancı Group under the name CarrefourSA.

5.3.Migros&Tansaş Merge

5.3.1.The Motives Behind Migros And Tansaş Merge.

Migros is struggling to defend its foothold in the retail market after Turco-French joint venture Carrefour acquired Gima and Endi stores from Fiba Holding earlier this year. Migros was also in talks with Fiba regarding the two chains, but was rebuffed after a hostile takeover bid from Sabancı Holding.

"If finalized, this transaction will again put Migros in a leader position," brokerage said in an analysis. Migros and Tansaş hold around a 5 percent and 3 percent share in the food retailing market, respectively. Carrefour reached a similar market share after their acquisition.

Doğuş Holding's banking arm Garanti, which is also on the table for sale, has a 24.1 percent stake in Tansaş. Earlier reports had indicated five potential investors for Garanti: France's Societe Generale, the Netherlands' ABN Amro, Germany's Deutsche Bank, U.S. conglomerate General Electric and Singapore's Temasek Group.

Tansaş returned to the black in the first quarter of the year and maintained its profitability in the second quarter, posting YTL 2 million in earnings for the first half of the year. The firm aims to achieve operating profits of YTL 80 million this year. As part of an ambitious sales drive, it plans to raise net sales in 2005 to \$850 million from \$700 million in 2004. Migros owns 507 stores in and out of the country, while Tansaş has 219 stores in Turkey.

5.3.2 The Effect of M&A on Migros Turk T.A.S

In order to ascertain the consequences on the merger between Migros and Tansaş, the overview of the financial annual report of Migros (before the merge) and the report of Migros T.A.S (after the merge) was analyzed.

Table 5.3: Figures and ratios of Migros Turk from 2002-2004 in Turkish Lira (TL)

	2002	2003	2004
Sales	1,513,272	2,108,200	2,273,937
Net profit	37,117	81,016	74,397
Profit before tax	58,299	61,234	104,873
Gross profit	342,022	511,045	462,331
Equity	429,762	609,072	650,688
Total asset	930,497	1,213,603	1,314,973
Retained earnings	266,705	609,072	650,688
Net profit margin	2%	4%	3.2%
Gross profit margin	22.6%	24.2%	20.3%
ROE	8.6%	13.3%	11.4%
ROA	6.2%	5%	8%
Total asset turnover	1.63	1.73	1.73

Source: <http://www.migroskurumsal.com/en/Icerik.aspx?IcerikID=225>

After analyzing the key figure of Migros from 2002 to 2004, it can be concluded that there was an increase in sales from 2002 (1,513,272TL) to 2004(2,273,937TL). However, the increase in sales affects most of the key figures, for instance the net income; from the net income in 2002 (37,117TL) to the net income of 2004 (74,397TL) it is clear that there was a rapid growth on the firms net income. As a result of the increase in the company's total assets, it shows that the firms increased their assets within the few years and that definitely has it effect on the firm's financial outcome as at 2004.

Regarding to the key financial ratios, gross profit margin showed a decreasing trend from 22.6% in 2002 to 20.3% in 2004, although it increased to 24.2% in 2003. There is also a similar case in ROE where there was an increasing trend from 8.6% in 2002 to 11.4% in 2004, having a higher percentage in 2003. The situation was a bit different for

ROA; in this, there was an increasing trend from 2002 to 2004 but in 2003, there was a decrease. There was also in total assets turnover of 0.10% from 2002 to 2003 but have a little or no change from 2003 to 2004. This implies that the firm was a profitable firm before the merger with Tansaş.



Table 5.4: Key figures and ratios of Migros Turk T.A.S. from 2006 to 2010 (after merging) in Turkish Lira (TL)

	2006	2007	2008	2009	2010
Sales	4,272,969	4,793,359	5,073,746	5,711,268	6,365,124
Gross profit	1,084,914	1,194,898	1,306,756	1,433,457	1,583,721
Net profit	78,686	552,875	261,532	109,614	42,674
Profit before tax	155,009	638,630	321,571	134,546	78,828
Equity	922,770	1,469,333	1,624,384	1,500,330	1,347,153
Total asset	2,789,932	2,829,725	2,896,256	5,648,043	5,567,345
Retained earnings	277,102	640,479	643,450	137,609	27,960
Net profit margin	18%	12%	5%	2%	0.5%
Gross profit margin	25.3%	24.9%	25.7%	25.1%	24.9%
ROE	8.5%	3.7%	1.6%	7.3%	3.1%
ROA	5.5%	22.5%	11.1%	2.3%	1.4%
Total asset turnover	1.53	1.69	1.75	1.01	1.14

Source: compiled from Migros annual Report <http://www.migroskurumsal.com/en/Icerik.aspx?IcerikID=225>

Table 10 above shows the key figure of Migros Ticaret A.S after the merge. The sales column shows a normal increase for the three years; 4,272,969TL, 4,793,359TL, 5,073,746TL, etc. respectively except in 2011. Whereas the net profit shows an abnormal increase during 2007 and as well a heavy decrease in 2008 and again in 2011, it recorded a loss. There was a normal increasing trend in gross profit, equity,

and total assets. The gross profit margin shows a little change from 2006 to 2008, although with a very little decreasing trend in 2007. ROE showed a downward slope while ROA shows a huge increase from 2006 to 2007 and in 2008, it decreased by half of the previous year. Total asset turnover maintained an upward slope with a little difference for the three years. Generally speaking, 2007 was a favorable year for the industry and 2011 was not favorable at all despite the fact that there was a little reduction on sales that year in respect on the previous year.

Table 5.5: Profitability ratio of Migro from 2002 to 2004

	ROA	ROE	NPM	GPM
2002	6.2%	8.6%	2.1%	22.6%
2003	5%	13.3%	3.8%	24.2%
2004	8%	11.4%	3.2%	20.3%
Average	19.2%	33.3%	9.1%	67.1%

Source: compiled from Migros annual report 2002 to 2004

Table 5.6: Profitability ratio of migros from 2006 to 2010 (After Merging)

	ROA	ROE	NPM	GPM
2006	5.5%	8.5%	18%	25.3%
2007	22.5%	3.7%	12%	24.9%
2008	11.1%	1.6%	5%	25.7%
2009	2.3%	7.3%	2%	25.1%
2010	1.4%	3.1%	0.5%	24.9%
Average	42.8%	24.2%	37.5	126.5%

Source: Compiled from Migros annual report 2006 to 2010

The table 11 and 12 above are the comparing ratio of Migros Turk before and after the merger with Tansaş. It is seen from figure 9 that the average of ROA and ROE are 6.4% and 11.1% respectively, that is to say that before engage in M&A Migros was a profitable company. Whereas, after the M&A activity, the ROE was lesser than when the company was alone with 6.26%. That implies that M&A strategy didn't give an abnormal positive returns instead it comes with its strength and also its weakness.



Figure 5.1: Chart of Changes in Migros T.A.S. Stock from 2005 to 2014

Source: <http://www.morningstar.com/invest/stocks/327643-mgros-migros-turk-tas.html>

The Figure 2 above shows the value of Migros stock as from the year it went into M&A. From the diagram, it can be seen that the value of Migros stock was not stable and the curve was not steadily increasing or decreasing. In 2005, there was a decrease at the first quarter and a gradual increase in the remaining quarters. It increases at the first two quarter in 2006 and a decrease in the last two quarter in 2007. It repeated itself in the other coming year but mostly increasing until the last quarter of 2008 and the beginning quarter of 2009 where it dropped to around 12.5P/E from 22P/E. After which

it rises to 17 and remained there for up to four quarters and increased to 32P/E in 2010. It reduced a little to 27P/E and then increases to the highest Migros stock which was at the volume of 35P/E. At 35P/E at the end of 2010, all through 2011, it experiences a massive reduction which it landed to volume of 13P/E. In 2012, though it fluctuates but mainly increased throughout the year, and within the last three to two quarters of 2013, there was a fluctuating decrease until 2014 when it started increasing though fluctuating.

In summary, the two tables show the financial performances of the Migros supermarket before and after the merge respectively, which took place in 2005. Ascertaining from the table, sales revenue for 2004 is 2,273,937TL and in 2006 after the merger is 4,272,969TL. The implication of this is that the revenue of 2006 (after merging) is two of that in 2004 (before merging). That is to say that the merger has a positive effect on the sales of the firm and its increasing trend years after. There was also a positive effect on the net profit even though there was an abnormal profit on 2007 and a huge reduction on 2008 but the average of the both years has a positive outcome on the firm. This did not only increase its market share but at the same time developed the company in many states in turkey and internationally.

5.3.3. Findings

The author set out in this thesis to find an answer to the hypothesis stated in chapter one. To be able to answer the hypothesis correctly, the author analyzed to financial reports of two companies.

In the first cases as shown on the analysis, the firms were strong on their own before the merge, but stronger afterwards due to the combination of the two companies. Taking a look at Hewlett Packard and Compaq and their reason which is seeking to increase market share, HP did not only increase its investor's worth but at the same time developed the company and also increased its share value. Having gotten this fact, the null hypothesis is spurned and the alternative hypothesis is accepted which is M&A leads to the survival of firms.

The case of Migros and Tansaş (see table 8 and 9) implies that before the merger, Migros was making profit and as well as the shareholders' equity was influenced. The

average of the both profitability ratio figure clear states that before and after the merger, the company has always run on a profit level. However, there is a little difference in the average. Between the ROA, the present state of Migros is more profitable than before the merger, which implies that the return in assets is positively affected. Thus, that cannot be equally said about ROE. The profitability ratio figure shows that the ROE was affect negatively. It clarifies that Migros was stronger in ROE when it was alone than now that it came together with Tansaş. However, the NPM and GPM were increased. With this fact, the alternatives hypothesis will be accepted which says that M&A affects the profitability of a firm.



6.CONCLUSION

With the improvement of the worldwide development as well with the genuine rivalry between organizations, there is an expanding pattern for M&A that can help organizations ascertain their goals and objective. There are different motives for mergers. The motives synergy expands business power, expanded income development, economies of scale, and change of managerial proficiency that expands investors' worth. Although sometimes, some motives reduces investors' worth while the others causes dubious impact on investors' worth.

After reviewing, the basic theories explaining the reasons behind the mergers and acquisitions, different cases of Mergers and Acquisition in developed countries have been analyzed. By referring case studies in developing economies, in his paper, the mergers between Migros and Tansaş as a have been examined.

Those points the impacts of these intentions that drive directors partake in M&A are examined. As indicated by the observational proof, four strategies (i.e. bookkeeping research, occasion research, research of officials and clinical research) might be connected to uncover the impacts. Besides, these discoveries are for the most part from the UK and the US M & A confirmation regarding short run and long run execution. As a rule, M&A expand investors' quality for the target organization, while they reduce investors' worth for the getting organization or the recently joined organization.

This paper progresses quantitative exploration technique a bookkeeping research- to measure progressions of the budgetary execution of the target and the securing organization preened post-M&A.

For the reader to understand the experimental results, two Merger and Acquisition activities-HP merges with Compaq computer and Migros Turk acquiring Tansaş supermarket were explored for the proof. The both cases occurred during the 21st century. To be predictable with the writing survey, the thought processes and impacts of the both M&A cases are assessed.

The first cases of HP merging with Compaq computers was more or less a breakeven for the first three years which was analyzed, but the M&A activity increases its shareholder worth and developed their market share and as well developed the company. There was no much different within the first three years of operation after merging comparing from the sales of the company after the merge and the sales of the both companies before the merge.

The second case of Migros Türk merging with Tansaş was a success both in increasing the shareholder's worth and in the development of the company. The company being a retail operational company has its different adaption of M&A. Although the merge is a domestic activity, the company responded to the collaboration in a short while in yelling its advantage in the country making the company one of the leader in terms of retail industry and has its branches all over Turkey and few other countries.

To sum up according to the analyses of this dissertation, Merger and Acquisition has a positive effect on the development of a firm.

When engaging in M & A, corporations need to consider some important factors in relations to the discussion in this study. Therefore, developing countries to attract foreign direct investment they need to put some of the following in place:

- 1) Encourage competitions and provide a smooth process for accessing investment opportunities in their country.
- 2) Reduction in registration and approval time thereby making business registration transparent and convenient to attract investors
- 3) Corporations needs to consider government policies of their destination before taking decision on acquisition or merger
- 4) Location advantage must be consider on availability of raw materials, labor and transportation
- 5) The economic environment of the destination country must be able to support the firm's investment production.

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PERSONAL INFORMATION

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 Yahoo! Messenger (YIM) Ls'martinx

PERSONAL STATEMENT

A graduate with good communication and organizational skill, now seeking to move into HR as a trainee manager.

WORK EXPERIENCE

01/02/2011–Present

Department manager

Lazitto shoes and company limited, Anambra (Nigeria)

01/09/2010–06/02/2011

Assistant Registration Officer (ARO)

INDEPENDENT NATIONAL ELECTORAL COMMISSION, Niger (Nigeria)

2010–2011

Class teacher

Mrs. Olaniyan. O., Niger (Nigeria)

- relations with children

EDUCATION AND TRAINING

2005–2009

Bachelor of science in Accounting

EQF level 5

Anambra State University, Uli, Anambra State (Nigeria)

PERSONAL SKILLS

Mother tongue(s)

Ibo				
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Other language(s)

	UNDERSTANDING		SPEAKING		WRITING
	Listening	Reading	Spoken interaction	Spoken production	
English	C1	C1	C1	C1	C1
Turkish	A2	A1	A1	A1	A1

Levels: A1 and A2: Basic user - B1 and B2: Independent user - C1 and C2: Proficient user
Common European Framework of Reference for Languages

Communication skills

-good communication skill gained through my experience as department/sales manager.
- excellent contact skill with children gained through my experience as a class teacher in my NYSC service year.

Organisational / managerial skills

- leadership (currently responsible for a team of 8 people)
- good team-leading skills gained as the assistant registration officer.

Job-related skills - mentoring skill (as department manager, i was responsible for the training of my workers)

Digital competence

SELF-ASSESSMENT				
Information processing	Communication	Content creation	Safety	Problem solving
Proficient user	Proficient user	Independent user	Independent user	Independent user

Digital competences - Self-assessment grid